

JUL 12 2002

**IN THE UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF TEXAS  
SHERMAN DIVISION**

DAVID J. MALAND, CLERK  
BY DEPUTY *Sam Scott*

ALCATEL USA, INC. )  
 )  
Plaintiff, )  
 )  
v. )  
 )  
CISCO SYSTEMS INC., )  
 )  
Defendant. )

**ORIGINAL**

Civil Action No.: 4:00CV199

**PLAINTIFF'S PROPOSED JURY QUESTIONS AND INSTRUCTIONS**

Plaintiff Alcatel USA, Inc. ("Alcatel") hereby submits its Proposed Jury Questions and Instructions. In submitting these proposed questions and instructions, Alcatel reserves the right to alter, amend, add or delete questions or instructions as necessary or appropriate to conform to the evidence and ultimate issues at trial, and in response to any proposed questions or instructions submitted by defendant Cisco Systems, Inc. ("Cisco").

If Alcatel is the prevailing party on its claim under the Texas Theft Liability Act, Alcatel proposes to have the Court determine the amount of the award of court costs and reasonable and necessary attorneys' fees, and thus no instruction is submitted as to that issue. *See* Tex. Civ. Prac. & Rem. Code §134.005(b).

In addition, although Alcatel proposes instructions on Cisco's equitable defenses, including unclean hands, these defenses ought not to be considered at all for the reasons set forth

in Alcatel's pending Motion For Summary Judgment Striking Defendant Cisco Systems Inc.'s Eleventh Affirmative Defense Of Unclean Hands, dated April 22, 2002. If the Court does not strike the defense, the defense must be tried to the Court and not to the jury. *See Alcatel USA, Inc. v. DGI Techs., Inc.*, 166 F.3d 772, 795 (5th Cir. 1999) ("[t]he right of trial by jury does not extend to cases historically cognizable in equity") (*quoting Sheila's Shine Products, Inc. v. Sheila Shine, Inc.*, 486 F.2d 114, 121-22 (5th Cir. 1973)); *see also Lynch v. Pan American World Airways, Inc.*, 475 F.2d 764 (5th Cir. 1973) (denying a request for jury adjudication of equitable claims), *Paragon Podiatry Lab, Inc. v. KLM Labs., Inc.*, 984 F.2d 1182, 1190 (Fed. Cir. 1990).

If Cisco's unclean hands defense is not stricken and is tried to the Court, Alcatel would propose an instruction that the jury be told not to consider the alleged bad acts that Cisco has tried to prove because they are relevant only to a matter to be decided by the Court that does not concern the jury.

## **I. PRELIMINARY INSTRUCTIONS**

### **Instruction 1.1 — Introduction And Duty To Deliberate**

MEMBERS OF THE JURY:

Now that you have heard all of the evidence and the argument of counsel, it becomes my duty to give you the instructions of the Court concerning the law applicable to this case.

It is your duty as jurors to follow the law as I shall state it to you, and to apply that law to the facts as you find them from the evidence in the case. You are not to single out one instruction as stating the law, but must consider the instructions as a whole. Neither are you to be concerned with the wisdom of any rule stated by me. Regardless of any opinion you may have as to what the law is or ought to be, it would be a violation of your sworn duty to base a verdict upon any view of the law other than that given in the instructions of the Court, just as it would also be a violation of your sworn duty, as judges of the facts, to base a verdict upon anything other than the evidence in the case.

### **Instruction 1.2 — Bias**

Remember that in a very real way you are the judges—judges of the facts. Your only interest is to seek the truth from the evidence in the case. In deciding the facts of this case, you must not let bias or prejudice or sympathy play any part in your deliberations. Our system of law does not permit jurors to be governed by prejudice or sympathy or public opinion. Both the parties and the public expect that you will carefully and impartially consider all of the evidence

in this case, follow the law as stated by the Court, and reach a just verdict regardless of the consequences.

This case should be considered and decided by you as an action between persons of equal standing in the community. A corporation and all other persons are equal before the law and must be treated as equals in a court of justice.

**Instruction 1.3 - - Consideration Of The Evidence**

As I have stated, in determining the facts in this case, you must consider only the evidence I have admitted in the case. The term “evidence” includes the sworn testimony of the witnesses and the exhibits admitted in the record.

Remember that any statements, objections or arguments made by the lawyers are not evidence in this case. The function of the lawyers is to point out those things that are most significant or most helpful to their side of the case and in so doing, to call your attention to certain facts or inferences that might otherwise escape your notice. But while the lawyers may point out evidence to you, or point out inferences from the evidence that they think you should draw, what the lawyers say is not evidence. In the final analysis, it is your own recollection and interpretation of the evidence that controls in the case. What the lawyers say is not binding on you.

So, while you must consider only the evidence in this case, you are permitted to draw such reasonable inferences from the testimony and exhibits as you feel are justified in the light of

common experience. In other words, you may make deductions and reach conclusions that reason and common sense lead you to make from the facts which have been established by the testimony and the evidence in this case.

There are, generally speaking, two types of evidence from which a jury may properly find the truth as to the facts of a case. One is direct evidence - - such as testimony of an eyewitness. The other is indirect or circumstantial evidence - - the proof of a chain of circumstances pointing to the existence or nonexistence of certain facts. As a general rule, the law makes no distinction between direct and circumstantial evidence, but simply requires that you find the facts from a preponderance of all the evidence, both direct and circumstantial.

Now, I have said that you must consider all of the evidence. That does not mean, however, that you must accept all of the evidence as true or accurate. You are the sole judges of the credibility or “believability” of each witness and the weight to be given the witness’s testimony. An important part of your job will be to make judgments about the testimony of the witnesses who testified in this case. You should decide whether you believe what each person had to say, and how important that testimony was. In making that decision, I suggest that you ask yourself a few questions:

- Did the witness impress you as honest?
- Did the witness have any particular reason not to tell the truth?
- Did the witness have a personal interest in the outcome of the case?
- Did the witness have any relationship with either the plaintiff or the defendant?

- Did the witness seem to have a good memory?
- Did the witness have the opportunity and ability to understand the questions clearly and answer them directly?
- Did the witness's testimony differ from the testimony of other witnesses?

These are a few of the considerations that will help you determine the accuracy of what each witness said.

**Instruction 1.4 -- Impeachment By Witness's Inconsistent Statements**

The testimony of a witness may be discredited or impeached by showing that the witness testified falsely concerning a material matter. In determining the weight to give to the testimony of a witness, you should also ask yourself whether there was evidence tending to prove that the witness testified falsely about some important fact, or whether there was evidence that at some other time the witness said or did something, or failed to say or do something, that was different from the testimony the witness gave at the trial.

If you believe that any witness has been so impeached, then it is your exclusive province to give the testimony of that witness such credibility or weight, if any, as you think it deserves.

You should remember that a simple mistake by a witness does not necessarily mean that the witness was not telling the truth as he or she remembers it, because people naturally tend to forget some things or remember other things inaccurately. If a witness has made a misstatement, you must consider whether it was simply an innocent lapse of memory or an intentional falsehood, and that may depend upon whether it concerns an important fact or an unimportant

detail.

All of the testimony of someone who has admitted lying under oath in the past should always be considered with caution and weighed with great care.

In making up your mind and reaching your verdict, do not make your decisions simply because there were more witnesses on one side than on the other. Do not reach a conclusion on a particular point just because there were more witnesses testifying for one side on that point. The testimony of a single witness may be sufficient to prove any fact, even if a greater number of witnesses may have testified to the contrary, if after considering all the other evidence you believe that single witness. Your job is to carefully consider the testimony of each witness you have heard and to decide how much you believe of what each witness had to say.

**Instruction 1.5 — Deposition Testimony**

During the trial of this case, you heard certain testimony that was shown to you by way of a videotaped deposition. Under some circumstances, if a witness cannot be present to testify from the witness stand, that witness's testimony may be presented, under oath, in the form of a deposition. Some time before this trial, attorneys representing the parties in this case questioned these witnesses under oath. A court reporter was present and recorded the testimony. The questions and answers that were selected by the parties were shown to you. This deposition testimony is entitled to the same consideration and should be weighed and otherwise considered by you insofar as possible in the same way as if the witness had been present and had testified from the witness stand in court.

**Instruction 1.6 — Expert Witnesses**

During the trial, you heard the testimony of \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_,  
\_\_\_\_\_, \_\_\_\_\_, who were presented to you as expert witnesses.

When knowledge of technical subject matter may be helpful to the jury, a person who has special training or experience in that technical field — called an expert witness — is permitted to state his or her opinion on those technical matters. However, you are not required to accept that opinion. As with any other witness, it is up to you to decide whether to rely upon it.

In deciding whether to accept or rely upon the opinion of an expert witness, you may consider any bias of the witness, including any bias you may infer from evidence that the expert witness has been or will be paid for reviewing the case and testifying, or from evidence that he or she testifies regularly as an expert witness and the expert's income from such testimony represents a significant portion of his or her income.

**Instruction 1.7 — Spoliation**

One of the issues that you may consider in deciding this case is whether Cisco has intentionally destroyed relevant evidence. If you find that Cisco destroyed relevant evidence by failing to preserve the contents of the computers used by certain of its employees, or by instructing its employees to get rid of relevant evidence, and that Cisco did either of these things in bad faith, then you may infer that the documents that are no longer available were purposely



destroyed because they would not have supported Cisco's version of events.<sup>1</sup>

## **II. GENERAL INSTRUCTIONS FOR CHARGE**

### **Instruction 2.1 - - Preponderance Of The Evidence**

A party with the burden of proof on a claim or a defense must prove the facts that support that claim or defense by the appropriate standard of evidence. In this case, there are two standards by which you must weigh the evidence to determine whether a party who has the burden of proof on an issue has met that burden. The first is called a preponderance of the evidence.

A preponderance of the evidence simply means evidence that persuades you that a fact is more likely true than not true. Generally speaking, Alcatel must prove its claims against Cisco by a preponderance of the evidence. That means that Alcatel must prove that it is more likely than not that the acts that are the bases for Alcatel's claims occurred.

In determining whether any fact has been proved by a preponderance of the evidence in this case, you may, unless otherwise instructed, consider the testimony of all witnesses, regardless of who may have called them, and all exhibits received in evidence, regardless of who may have produced them.

If you find that Alcatel has proven its claims, then you must consider whether Cisco has

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<sup>1</sup> *United States v. Wise*, 221 F.3d 140, 156 (5th Cir. 2000); *Vick v. Texas Employment Comm'n*, 514 F.2d 734, 737 (5th Cir. 1975).

proven the affirmative defenses that it has raised against Alcatel's claims. Cisco bears the burden of proving its affirmative defenses. Unless I instruct you otherwise, Cisco must prove its affirmative defenses by a preponderance of the evidence. That means that Cisco must show evidence proving that it is more likely than not that each one of the elements of those defenses are established and that those defenses excuse Cisco's actions.

However, certain parts of Alcatel's claims and certain parts of Cisco's affirmative defenses must be proven by clear and convincing evidence. Clear and convincing evidence is evidence that produces in your mind a firm belief or conviction as to the matter at issue. This involves a greater degree of persuasion than is necessary to meet the preponderance of the evidence standard; however, proof to an absolute certainty or beyond a reasonable doubt is not required.

The clear and convincing standard applies to Alcatel's requests for punitive damages. The clear and convincing standard also applies to Cisco's claim that the Simmering patent is invalid.

In deciding whether any fact has been proven by clear and convincing evidence, you may, just as with the preponderance of the evidence standard, consider the testimony of all witnesses, regardless of who may have called them, and all exhibits received in evidence, regardless of who may have produced them, unless I instruct you otherwise.

### **III. INSTRUCTIONS REGARDING ALCATEL'S CLAIMS**

### **Instruction 3.1 — Agency**

This case involves a claim between two corporations. When a corporation is involved, of course, it may act only through people as its employees and agents. In general, a corporation is responsible under the law for any actions of its employees and statements of its employees which are made within the scope of their duties as employees of the company.

### **Instruction 3.2 - - Identity Of Parties**

As you are now aware, Cisco acquired Monterey Networks in September 1999. That acquisition was structured as a merger, which means that Monterey became a part of Cisco and ceased to exist as a separate entity. As a result, Cisco has assumed responsibility for Monterey's past actions and liabilities, just as if Monterey still existed. In other words, the two companies are legally the same. Therefore, any reference to "Cisco" or to "Monterey" is a reference to both Cisco and Monterey, unless I instruct you otherwise.<sup>2</sup>

Alcatel has asserted seven claims against Cisco: (1) misappropriation of Alcatel's trade secrets; (2) common law misappropriation; (3) violation of the Texas Theft Liability Act; (4) civil conspiracy; (5) conversion; (6) copyright infringement; and (7) patent infringement. I will now instruct you on the law that applies to each of these claims.

Also, I instruct you that whatever liability Monterey may have had to Alcatel at the time of the merger in September 1999, if any, became the liability of Cisco.

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<sup>2</sup> *Franklin v. USX Corp.*, 87 Cal. App. 4th 615 (Cal. App. 1st Dist. 2001); *Mullen v. Alarmguard of Delmarva, Inc.*, 1993 Del. Super. LEXIS 213 (Del. Super. Ct. Jun. 16, 1993).

#### **IV. MISAPPROPRIATION OF TRADE SECRETS**

##### **Instruction 4.1 — Alcatel's Trade Secret Claim Generally**

Alcatel claims that Cisco misappropriated certain information from Alcatel constituting trade secrets that belong to Alcatel. There are six trade secrets that Alcatel claims were misappropriated by Cisco in this case. They are, generally speaking:

- First, Alcatel's plans for a product designed by Alcatel to meet AT&T's plans and requirements for a next-generation cross-connect, and Alcatel's knowledge of those requirements.
- Second, the level-one cross-connect software architecture that was developed for the OGX product manufactured by Alcatel.
- Third, the implementation of cross-connection management functions in the Alcatel source code files called route.hh, fixedlist.hh.tp and fixedlist.cc.tp.
- Fourth, the Whip method of developing and maintaining software.
- Fifth, the implementation of the Whip method as set forth in the Alcatel source code files called Whip, Whipsource and Makedep.
- Sixth, a set of instructions to "make" object code, called "make" files, including five separate files that each include the words "build\_tools" in their name.

In order to prove a misappropriation of trade secrets, Alcatel must prove the following elements by a preponderance of the evidence: first, the existence of a trade secret, second, the breach of a confidential relationship or the improper discovery of the trade secret, and third, the use of the trade secret by Cisco.<sup>3</sup>

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<sup>3</sup> *Phillips v. Frey*, 20 F.3d 623, 626 (5th Cir. 1994) (applying Texas law); *Taco Cabana Int'l, Inc. v. Two Pesos, Inc.*, 932 F.2d 1113, 1123 (5th Cir. 1991) (applying Texas law), *aff'd*, 503 U.S. 763 (1992); *H.E. Butt Grocery Co. v. Moody's Quality Meats, Inc.*, 951 S.W.2d 33, 34 (Tex.

You should consider each one of Alcatel's claimed trade secrets separately from the others. You may find that Alcatel has satisfied the elements of the claim of trade secret misappropriation as to all of its claimed trade secrets, or as to none of them, or as to some of them but not as to others. If you find that Alcatel has established the elements of a claim of trade secret misappropriation as to any one of its claimed trade secrets, then you should find for Alcatel.

**Instruction 4.2 -- Definition Of A Trade Secret**

What is a trade secret? A trade secret is any information that can be used in the operation of a business that is sufficiently valuable and secret that it affords an actual or potential economic advantage over other businesses that do not know or use the secret. For example, a trade secret may consist of a formula for a chemical compound, a computer program, a manufacturing process, a pattern for a machine, or a list of customers. A trade secret can also relate to other aspects of business operations such as pricing and marketing techniques or the identity and requirements of customers.<sup>4</sup>

A complete list of what may constitute a trade secret is not possible. Some factors that you should consider in determining whether information is Alcatel's trade secret are:

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App.—Corpus Christi 1997).

<sup>4</sup> RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 39, cmt. d (1993); RESTATEMENT OF TORTS, §757 cmt. B (1934); *Computer Assoc. Int'l, Inc. v. Altai, Inc.*, 918 S.W.2d 453, 455 (Tex. 1996); *Hyde Corp. v. Huffines*, 314 S.W.2d 763, 776 (Tex.), *cert. denied*, 358 U.S. 898 (1958); *Zoecon Indus. v. American Stockman Tag Co.*, 713 F.2d 1147, 1176 (5th Cir. 1983); *Miller Paper Co. v. Roberts Paper Co.*, *Bertotti v. C.E. Shepard Co.*

1. The extent to which the information was known outside Alcatel's business;
2. The extent to which the information was known to Alcatel's employees and others involved in Alcatel's business;
3. The extent of measures taken by Alcatel to guard the secrecy of the information;
4. The value of the information to Alcatel and its competitors;
5. The amount of effort or money Alcatel expended in developing the information; and,
6. The ease or difficulty with which the information could be properly acquired or duplicated by others.<sup>5</sup>

You may find that a trade secret exists without finding that each of the above factors is present.<sup>6</sup>

The subject matter of a trade secret must be secret. Matters of public knowledge or of general knowledge in an industry are not trade secrets. But the secrecy need not be absolute. It is not necessary that only the owner of the trade secret know of the trade secret. Independent

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<sup>5</sup> RESTATEMENT OF TORTS, §757 cmt. b (1934); *American Derringer Corp. v. Bond*, 924 S.W.2d 773, 777 n.2 (Tex. App.--Waco 1996, no writ).

<sup>6</sup> RESTATEMENT OF TORTS, §757 cmt. b (1934); *American Derringer Corp. v. Bond*, 924 S.W.2d 773, 777 n.2 (Tex. App.--Waco 1996, no writ).

discovery by another who maintains the secrecy, confidential disclosures to employees or others, and confidential disclosures to persons pledged to secrecy will not destroy the information's status as a trade secret. Nevertheless, a substantial element of secrecy must exist, so that, except by the use of improper means or a breach of confidence, there would be difficulty in acquiring the information.<sup>7</sup>

For example, the fact that AT&T knew of its product requirements and Alcatel's plan to meet those requirements does not mean that the information concerning those plans and requirements could not be a trade secret, if you find that that information would be difficult for a competitor to acquire absent the use of improper means or a breach of confidence.

#### **Instruction 4.3 — Combination Trade Secrets**

A trade secret may consist of a combination of characteristics and components, none of which, by itself, would qualify as a trade secret. Where the combination of known characteristics and components creates a unified process or design that is unique and affords a competitive advantage, the combination may be a trade secret. But the fact that some or even all of the components of the trade secret are well-known does not preclude protection for a secret combination, compilation, or integration of the individual elements.<sup>8</sup>

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<sup>7</sup> RESTATEMENT OF TORTS, §757 cmt. b (1934); *See* Amer. Bar Ass'n, MODEL JURY INSTRUCTIONS - BUSINESS TORTS LITIGATION §8.04 (3d ed. 1996).

<sup>8</sup> RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 39, cmt. f (1993); *Metallurgical Industries, Inc. v. Fourtek, Inc.*, 790 F.2d 1195, 1202 (5th Cir. 1986); *Sikes v. McGraw Edison Co.*, 665 F.2d 731, 736 (5th Cir.) *cert denied* 548 U.S. 1108 (1982); *Schalk v. State*, 823 S.W.2d 633, 642 (Tex. Crim. App. 1991), *cert. denied*, 503 U.S. 1006 (1992); *Elcor Chemical Co. v. Agri-Sul, Inc.*, 494 S.W.2d 204, 212-13 (Tex. Civ. App. -- Dallas 1973, writ ref'd n.r.e.).

#### **Instruction 4.4 — Misappropriation Of A Trade Secret**

To prove that Cisco has misappropriated Alcatel's trade secrets, Alcatel must prove that Cisco or its agents or employees either:

A) acquired Alcatel's trade secrets through improper means and knew or had reason to know the trade secrets were Alcatel's; **or**

B) used or disclosed Alcatel's trade secrets without Alcatel's authorization and acquired those trade secrets either:

(i) through the breach of a confidential relationship between Alcatel and its current or former employees or contractors; **or**

(ii) through other circumstances in which Cisco owed a duty not to use or disclose Alcatel's trade secrets.<sup>9</sup>

A "confidential relationship" arises between two parties where one party discloses information to the second party in confidence and with the consent and understanding of the second party that such information is confidential.<sup>10</sup> Such an understanding may be expressed in a written agreement, but a written agreement is not required in order to establish a confidential relationship. In the case of an employee, there is a duty of loyalty and fidelity that the employee

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<sup>9</sup> RESTATEMENT (THIRD) OF UNFAIR COMPETITION §40(1993); *See* MODEL JURY INSTRUCTIONS - BUSINESS TORTS LITIGATION §8.04 (Third Edition, 1996).

<sup>10</sup> *Electronic Data Sys. Corp. v. Sigma Sys. Corp.*, 500 F.2d 241 (5th Cir. 1974).



owes to the employer, whether or not there is a written agreement. As a result, Alcatel's employees have a duty not to reveal confidential information obtained through their employment with Alcatel, and that duty continues after the employee has left the employment of Alcatel.<sup>11</sup>

**[Alternative No. 1]**

[Based on the evidence that you have heard regarding the relationship between Alcatel and Marian Trnkus, I instruct you that Marian Trnkus was also in a confidential relationship with Alcatel, such that he was not permitted to disclose to Cisco any trade secrets that Alcatel may have had.]

**[Alternative No. 2]**

[A confidential relationship may also be implied from a business relationship or from the circumstances surrounding the dealings between the parties. Where the obligation of confidentiality was brought to the attention of the second party, or otherwise was known, or should have been known, to the second party because of the circumstances, a confidential relationship may exist.<sup>12</sup>]

Misappropriation has occurred if Cisco or any of its employees used Alcatel's trade secrets to develop its products. Thus, using Alcatel's trade secrets to assist or accelerate product

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<sup>11</sup> *Mangren Research and Dev. Corp. v. National Chem. Co.*, 39 U.S.P.Q.2d 1339 (7th Cir. 1996); *Community Counselling Serv. v. Reilly*, 317 F.2d 239, 244 (4th Cir. 1962).

<sup>12</sup> K. O'Malley, J. Grenig, W. Lee, *Federal Jury Practice And Instructions*, § 127.12 at 415 (5th ed. 2000) (hereafter "Fed. Jury Prac.& Instrs."); *Nickola v. Peterson*, 310 F. Supp. 590 (E.D. Mich. 1976, *aff'd*, 580 F.2d 898 (6th Cir. 1978).

research or development, using Alcatel's trade secrets in manufacturing or production, marketing goods that embody Alcatel's trade secrets, or soliciting customers through the use of Alcatel's trade secrets all constitute "use."<sup>13</sup>

There is no requirement that Cisco use Alcatel's trade secrets, if any, in exactly the form in which it received them. Changes to a trade secret do not preclude a finding of misappropriation. Likewise, differences in detail do not preclude a finding of misappropriation if Cisco made use in its business of information that was substantially derived from Alcatel's trade secrets.<sup>14</sup> Use of a part of a trade secret is still "use."

#### **Instruction 4.5 — Knowledge And Skill Gained During Employment**

A former employee or one in a confidential relationship may use, to his own advantage or the advantage of his new employer, the general skills and knowledge of common use in the trade that he acquires during his employment. General skill and experience gained during employment are not trade secrets.

While general knowledge gained during employment belongs to the individual, specific or specialized knowledge or skills gained from experimentation, trial and error, or from the investment and expenditure of time and money, is the property of the employer. In other words,

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<sup>13</sup> RESTATEMENT (THIRD) OF UNFAIR COMPETITION §40 cmt. c (1993); *Fed. Jury Prac. & Instrs.*, § 127.13 at 416.

<sup>14</sup> RESTATEMENT OF TORTS, §757 cmt. c (1934); *Kinzbach Tool Co., Inc. v. Corbett-Wallace Corp.*, 160 S.W.2d 509, 514 (Tex. 1942); *Kirby v. Cruce*, 688 S.W.2d 161, 165 (Tex. App.--Dallas 1985, writ ref'd n.r.e.).

know-how or solutions to problems that are developed by employees or contractors for the benefit and use of the employer belongs to the employer.

**Instruction 4.6 — Ownership Of Trade Secrets**

In considering Alcatel's case for misappropriation of its trade secrets, you must also decide whether or not the Whip concept and the Whip programs were the property of Alcatel. In that regard, I instruct you that what an employee or a contractor develops or produces as part of the work he was engaged to do in exchange for compensation paid for that work becomes the property of the person or company that engaged his services. If you find that the development of software was within the scope of the work that Marian Trnkus was hired to do for Alcatel and that he was paid by Alcatel for that work, that software became Alcatel's property when he completed it. You must decide whether the development of software tools was within the scope of the work Marian Trnkus was hired to do for Alcatel and that he was paid for that work, as Alcatel contends, or whether Mr. Trnkus devised those programs not as part of his engagement by Alcatel, but on his own time and for his own purposes, as Cisco contends.<sup>15</sup>

You will be instructed in connection with Alcatel's claim for copyright infringement as to how you are to decide who owns a copyright as between an employer, an employee and an independent contractor. Do not concern yourself with that test in deciding Alcatel's claim of

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<sup>15</sup> 2 D. Burton, *Jury Instructions In Intellectual Property Cases*, §50:42:05 at 50-4-12 (2000); *Solomons v. United States*, 137 U.S. 342 (1890); accord, *Becher v. Contoure Labs.*, 279 U.S. 388 (1929); *Computer Assocs. Int'l, Inc. v. American Fundware, Inc.*, 831 F. Supp. 1516, 1524 (D. Colo. 1993) (citing 2 Melvin F. Jager, *Trade Secrets Law* § 8.01[1] at 8-2 to 8-3 (1993); see also *Mettler-Toledo, Inc. v. Acker*, 908 F. Supp. 240, 247 (M.D. Pa. 1995); *Atlas Brick v. North*, 288 S.W. 146 (Tex. Com. App. 1926).

trade secret misappropriation. The tests are different, and the results under the two tests may be the same or they may be different.

**Instruction 4.7 — Damages (General Instructions)**

If you find that Cisco is liable, you must award the amount that you find by a preponderance of the evidence to be full and just compensation for all of Alcatel's damages. You also will be asked to determine if Cisco is liable for punitive damages, and, if so, you will be asked to fix the amount of those damages. Because the methods of determining punitive damages and compensatory damages differ, I will instruct you separately on punitive damages. The instructions I now give you apply only to your award, if any, of compensatory damages.

If you decide to award compensatory damages, you should be guided by dispassionate common sense. Computing damages may be difficult, but you must not let that difficulty lead you to engage in arbitrary guesswork. On the other hand, the law does not require that the plaintiff prove the amount of its damage with mathematical precision, but only with as much definiteness and accuracy as the circumstances permit. You have heard conflicting testimony from the expert witnesses on both sides as to the amount of damages that Alcatel did or did not sustain. As I have instructed you, you are not required to accept either side's expert's opinion. As with any other witness, it is up to you to decide whether to rely upon the testimony of the expert witnesses. You are to make your own just and fair assessment of the amount of damages, if any, that you will award and you are not limited by the amounts calculated by the parties or their experts.

You should consider the amount of damages, if any, as to each claim separately and independently from the amount of damages, if any, you might award under any other claim brought by the plaintiff. Do not concern yourself with whether the plaintiff would recover damages two times for the same injury. The plaintiff will have only one recovery. The damages, if any, that you award on this claim will not be added to the damages, if any, that you award on any other claim. Alcatel will recover only one compensatory damage award, if any, and it will be in an amount equal to the highest award that you give for any of Alcatel's claims.

If you find that Alcatel is entitled to a verdict on its claim of misappropriation of trade secrets, the law provides that Alcatel is entitled to recover from Cisco the amount of damage that Cisco's actions have caused. A plaintiff that proves that a defendant misappropriated its trade secrets is entitled to recover the value of its trade secrets as of the time that the trade secrets were misappropriated.<sup>16</sup>

That value can be measured in several different ways, and the law gives you some flexibility in deciding how to measure that value.<sup>17</sup> If you decide that Cisco misappropriated Alcatel's trade secrets, it is up to you to decide which method most fairly and adequately compensates Alcatel for the value of those trade secrets. As to the amount of damages, the plaintiff need not prove the exact or precise amount with mathematical certainty. But the

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<sup>16</sup> See, e.g., *University Computing Co. v. Lykes-Youngstown Corp.*, 504 F.2d 518, 536 (5th Cir. 1974); *Precision Plating & Metal Finishing, Inc. v. Martin-Marietta Corp.*, 435 F.2d 1262, 1263 (5th Cir. 1970); *DSC Communications Corp. v. Next Level Communications*, 929 F. Supp. 239, 246 (E.D. Tex. 1996).

<sup>17</sup> *University Computing Co.*, 504 F.2d at 535; see also *Minco, Inc. v. Combustion Eng'g, Inc.*, 95 F.3d 1109, 1118 (Fed. Cir. 1996).

plaintiff is not entitled to an award of damages based upon speculation or conjecture. You should award an amount shown by a preponderance of the evidence to be a sum sufficient to fairly compensate the plaintiff for the injury sustained.

Whether or not a defendant later realizes a profit from its misappropriation of trade secrets is irrelevant to the amount of damages. The relevant question for you to consider is what was the value of the misappropriated trade secrets at the time of that misappropriation. For purposes of assessing damages, whether a defendant may have later failed to realize the benefit that it expected to realize from its misappropriation may not affect your decision as to how much, if any, damages you award.<sup>18</sup>

#### **Instruction 4.8 — Measuring Value Through A Sale Price**

One approach to determine the amount of damages is to measure the value of the trade secret to the defendant. The sale price of a company may be used to derive the value of those misappropriated trade secrets, where the misappropriated trade secrets are an important factor in the sale.<sup>19</sup> Thus, if you find that Alcatel's trade secrets were an important factor in the sale of Monterey to Cisco, you may consider whether Monterey was able to command a higher price as a

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<sup>18</sup> *University Computing Co.*, 504 F.2d at 536. See also *American Sales Corp. v. Adventure Travel, Inc.*, 862 F. Supp. 1476, 1479-80 (E.D. Va. 1994); *Structural Dynamics Research Corp. v. Eng'g Mechs. Research Corp.*, 401 F. Supp. 1102, 1119 (E.D. Mich. 1975).

<sup>19</sup> See, e.g., *University Computing Co.*, 504 F.2d at 536, 545; *Minco, Inc. v. Combustion Eng'g, Inc.*, 95 F.3d 1109, 1120 (Fed. Cir. 1996); *Electronic Data Sys. Corp. v. Sigma Sys. Corp.*, 500 F.2d 241 (5th Cir. 1974) (any benefits or advantages defendants may have realized from the disclosure); *Simon Property Group L.P. v. mySimon, Inc.*, No. IP 99-1195-C, 2001 WL 66408, \*22-23 (S.D. Ind. Jan. 24, 2001); *DSC Communications Corp. v. Next Level Communications*, 929 F. Supp. 239, 246 (E.D. Tex. 1996) (Brown, J.).

result of the misappropriation, and determine how much of the acquisition price may be attributed to the value of those trade secrets.

**Instruction 4.9 — Measuring Value Through Unjust Enrichment**

Another way to measure the value of a trade secret is to measure the amount by which a defendant was unjustly enriched.<sup>20</sup> The concept of unjust enrichment recognizes the principle that one company should not be permitted to keep what in good conscience should belong to another. A company has been unjustly enriched if it has received a benefit under circumstances such that, as between the plaintiff and the defendant, it would be unjust for the defendant to retain it. If a company has been unjustly enriched, the law requires that company to make restitution to the injured party for the property or benefits it received.<sup>21</sup>

You may find unjust enrichment if you find that Cisco acquired trade secrets to which it had no right. The value of those misappropriated trade secrets may be the measure of Cisco's unjust enrichment. You may also consider whether the difference between Monterey's value with and without the misappropriated trade secrets, if any, is the measure of unjust enrichment that Monterey received.<sup>22</sup>

If you find that Monterey was unjustly enriched and should make restitution for any

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<sup>20</sup> *Sikes v. McGraw Edison Co.*, 665 F.2d 731, 736 (5th Cir.1982).

<sup>21</sup> *Texas Pig Stands, Inc. v. Hard Rock Cafe Int'l, Inc.*, 951 F.2d 684, 694 (5th Cir. 1992); *General Clutch Corp. v. Lowry*, 10 F. Supp. 2d 124, 131 (D. Conn. 1998).

<sup>22</sup> *Texas Pig Stands, Inc. v. Hard Rock Cafe Int'l, Inc.*, 951 F.2d 684, 694 (5th Cir. 1992); *General Clutch Corp. v. Lowry*, 10 F. Supp. 2d 124, 131 (D. Conn. 1998).

property or benefits it may have received, you should award that amount of money against Cisco and in favor of Alcatel.

**Instruction 4.10 — Measuring Value Through A Reasonable Royalty**

The final way to measure the value of a trade secret to the defendant is determine what the defendant would have paid as a reasonable royalty for the use of the trade secret. A reasonable royalty is defined as that amount of money that Monterey would have agreed to pay, and Alcatel would have agreed to accept, if they had sat down in an arms-length negotiation and negotiated a license for the use of the technology at a point in time just before the technology was misappropriated. A reasonable royalty award measures what the parties would have agreed to as a fair price for licensing the trade secrets.<sup>23</sup>

Using this methodology, you must, first, hypothesize or imagine a good-faith negotiation between Monterey and Alcatel, and, second, based on this hypothetical negotiation, award Alcatel the benefit of the bargain it would have received had Monterey legally acquired Alcatel's technology. While a reasonable royalty calculation might in some cases be a percentage of profits on actual sales, this need not be the measure in all cases.<sup>24</sup> If you determine based on the evidence that you have heard that a hypothetical negotiation would have resulted in a lump-sum payment based on the defendant's projected sales, then you may award an amount based on such

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<sup>23</sup>See *University Computing Co.*, 504 F.2d at 537; *Metallurgical Indus. v. Fourtek*, 790 F.2d 1195, 1208 (5th Cir. 1986); *Vermont Microsystems*, 138 F.3d at 451; *American Sales Corp.*, 862 F. Supp. at 1480.

<sup>24</sup> *University Computing Co.*, 504 F.2d at 540.



a lump sum payment.<sup>25</sup> In determining the amount of a reasonable royalty, you may consider Cisco's own projections concerning expected sales and profits associated with the Wavelength Router.

In determining the amount of a reasonable royalty, you should consider all the facts known and available to the parties at the time of the misappropriation. Some of the kinds of factors that you may consider in making your determination are:

(1) whether Alcatel had an established royalty for such intellectual property; in the absence of such a licensing history, any royalty arrangements that were generally used and recognized in the particular industry at that time;

(2) the nature of the commercial relationship between Alcatel and Monterey, such as whether they were competitors;

(3) the established profitability of the product incorporating the trade secret, its commercial success and its popularity at the time;

(4) whether Alcatel had an established policy of granting licenses or retaining trade secrets as its exclusive right;

(5) the size of the anticipated market for the product incorporating the trade secret at the time the misappropriation began;

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<sup>25</sup>See, e.g., *Celeritas Techs., Ltd. v. Rockwell Int'l Corp.*, 150 F.3d 1354, 1359-60 (Fed. Cir. 1998); *Snellman*, 862 F.2d at 289.

(6) the nature of the trade secret and the benefits to those who have access to them;

(7) the extent to which Cisco used the trade secrets and any evidence probative of the value of that use;

(8) the portion of the profits in the particular business that are customarily attributable to the use of the trade secret or analogous trade secrets;

(9) the portion of the profits realized that should be credited to the trade secret as distinguished from non-trade secret elements, the manufacturing process, business risks or significant features or improvements added by Cisco;

(10) the opinion and testimony of qualified experts and of Alcatel;

(11) any other factors which in your mind would have increased or decreased the royalty Cisco would have been willing to pay and Alcatel would have been willing to accept, acting as normally prudent business people.<sup>26</sup>

**Instruction 4.11 — Punitive Damages Generally**

I will now instruct you on the law relating to punitive damages. If you have decided that Cisco has misappropriated Alcatel's trade secrets, you must decide whether to award punitive

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<sup>26</sup> See *Maxwell v. J. Baker, Inc.*, 86 F.3d 1098, 1108–1110 (Fed. Cir. 1996); *Rite-Hite Corp. v. Kelley Co., Inc.*, 56 F.3d 1538, 1554–55 (Fed. Cir. 1995); *Georgia-Pacific Corp. v. U.S. Plywood-Champion Papers, Inc.*, 318 F.Supp. 1116, 1120 (S.D.N.Y. 1970), *modified and aff'd*, 446 F.2d 295 (2d Cir. 1971).

damages against Cisco.

Punitive damages are damages intended to punish a wrongdoer.<sup>27</sup> In order to recover punitive damages, Alcatel must establish the grounds for an award of punitive damages by clear and convincing evidence.<sup>28</sup> Clear and convincing evidence means the measure or degree of proof that produces in your mind a firm belief or conviction as to the truth of the allegations sought to be established.<sup>29</sup>

In order to recover punitive damages, Alcatel must prove that Cisco's conduct was undertaken with "malice." The law defines malice to mean that Cisco had a specific intent to cause substantial injury to Alcatel. A party acts with specific intent with respect to the results of its conduct when it is the conscious objective or desire to engage in the conduct or to cause the result. Malice may be implied from a knowing misappropriation of another's property without justification.<sup>30</sup>

The law also defines malice to include an act or omission by Cisco that (i) when viewed objectively from the standpoint of Cisco at the time of its occurrence involves an extreme degree of risk, considering the probability and magnitude of the potential harm to Alcatel and (ii) that Cisco had actual, subjective awareness of the risk involved, but nevertheless proceeded with

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<sup>27</sup> Tex. Civ. Prac. & Rem. Code §41.001, §41.010(a) (2002).

<sup>28</sup> Tex. Civ. Prac. & Rem. Code §41.003(a) (2002).

<sup>29</sup> Tex. Civ. Prac. & Rem. Code §41.001(2) (2002).

<sup>30</sup> *U.S. Sporting Products, Inc. v. Johnny Stewart Game Calls, Inc.*, 865 S.W.2d 214, 222 (Tex. App.--Waco 1993, writ denied).

conscious indifference to the rights of Alcatel.<sup>31</sup> I remind you that when I speak of Cisco here, it refers to Monterey as well, and so if you find that Monterey acted with malice you must find that Cisco acted with malice.

**Instruction 4.12 — Factors To Consider**

In determining the amount of punitive damages, if any, that you award, you should consider the following factors:

- (1) the nature of the wrong;
- (2) the character of the conduct involved;
- (3) the degree of culpability of Cisco;
- (4) the situation and sensibilities of the parties concerned;
- (5) the extent to which such conduct offends a public sense of justice and propriety; and
- (6) the net worth of Cisco.<sup>32</sup>

In making any award of punitive damages, you should consider that the purpose of punitive damages is to punish a defendant for its conduct, and to deter the defendant and others from engaging in similar conduct in the future. The law does not require you to award punitive

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<sup>31</sup> Tex. Civ. Prac. & Rem. Code §41.001(7) (2002).

<sup>32</sup> Tex. Civ. Prac. & Rem. Code §41.011(2002).

damages, however, if you decide to award punitive damages, you must use sound reason in setting the amount of the damages. The amount of an award of punitive damages must not reflect bias, prejudice, or sympathy toward any party. However, the amount can be as large as you believe necessary to fulfill the purposes of punitive damages. You may consider the wealth and financial resources of the defendant in fixing the amount of punitive damages.<sup>33</sup>

If you have awarded punitive damages to Alcatel on any of the claims that you have already considered, I remind you that the punitive damages, if any, that you award on this claim will not be added to the punitive damages, if any, that you award on any other claim. Alcatel will recover only one punitive damage award, if any, and it will be in an amount equal to the highest punitive damage award that you give for any of Alcatel's claims.

**Instruction 4.13 — Punitive Damages For Criminal Acts By Employee**

If you find that the basis for an award of punitive damages in this case is a criminal act by an employee of Cisco, Cisco may be liable for punitive damages for that act, but only if:

- (1) Cisco authorized the doing and the manner of the act;
- (2) the employee was unfit and Cisco acted with malice in employing or retaining the employee;
- (3) the employee was employed in a managerial capacity and was acting in the scope of

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<sup>33</sup> *Pacific Mutual Life Insurance Company v. Haslip*, 499 U.S. 1 (1991); Fifth Circuit Pattern Jury Instructions § 15.13.

employment; or

(4) Cisco or a manager of Cisco ratified or approved the act.<sup>34</sup>

Cisco ratified an act if Cisco retained the benefits of the act, with knowledge of the material facts concerning the act.<sup>35</sup>

**Question 4.A:**

Did Cisco misappropriate any of Alcatel's trade secrets?

\_\_\_\_\_ Yes

\_\_\_\_\_ No

**Question 4.B:**

If you answered "Yes" to Question 4.A, then answer the following question. If you answered "No" to Question 4.A, do not answer the following question:

What sum of money, if paid now in cash, would fairly and reasonably compensate Alcatel for its damages, if any, that resulted from the misappropriation of the trade secrets that you have determined were misappropriated ?

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<sup>34</sup> Tex. Civ. Prac. & Rem. Code §41.005 (2002).

<sup>35</sup> Restatement (Second) of Agency § 82; *NMS Industries, Inc. v. Premium Corp. of America*, 451 F.2d 542, 545 (5th Cir.1971).

Answer in dollars and cents:

\$ \_\_\_\_\_

**Question 4.C**

Do you find by clear and convincing evidence that the harm to Alcatel resulted from malice on the part of Cisco?

\_\_\_\_\_ **Yes**

\_\_\_\_\_ **No**

**Question 4.D**

If you answered “Yes” to Question 4.C, then answer the following question. If you answered “No” to Question 4.C, do not answer the following question:

What amount of money, if any, should be assessed against Cisco and awarded to Alcatel as punitive damages for the conduct found in response to Question 4.C?

Answer in dollars and cents:

\$ \_\_\_\_\_

**V. COMMON LAW MISAPPROPRIATION**

**Instruction 5.1 — Elements Of Common Law Misappropriation**

Separate and apart from its trade secret claims, Alcatel also claims that Cisco committed what is called common law misappropriation. Common law misappropriation is the appropriation and use by the defendant, in competition with the plaintiff, of a unique, economic interest created by the plaintiff through the expenditure of labor, skill and money.<sup>36</sup> Unlike trade secret misappropriation, the product that is the subject of a claim for common misappropriation does not have to be secret. That is because a party has a protectible property interest in the product of his labor, regardless of the subject matter, so long as that matter confers on him a commercial advantage.

Alcatel claims that Cisco committed a common law misappropriation of the administrative software for its OGX, the Cross-Connect Architecture, the Alcatel Product Solution, the Whip Concept, and the following source code: the Cross-Connection Management software, the Whip software, WhipSource, Makedep and Make files.

The elements of common law misappropriation are:

1. Alcatel created a product or information through the investment of substantial time, labor, skill and money;
2. Cisco used Alcatel's product or information thereby gaining a special advantage in competition with Alcatel because Cisco was

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<sup>36</sup> *U.S. Sporting Products, Inc. v. Johnny Stewart Game Calls, Inc.*, 865 S.W.2d 214, 217 (Tex. App.--Waco 1993, writ denied); *Conan Properties, Inc. v. Conan Pizza, Inc.*, 752 F.2d 145, 156 (5th Cir. 1985); *Universal City Studios v. Kamar Industries*, 217 U.S.P.Q. 1162, 1982 WL 1278 (S.D.Tex. 1982)).



burdened with little or none of the expense incurred by Alcatel;

3. Alcatel was commercially damaged.<sup>37</sup>

**Question 5.A**

Did Cisco commit a common law misappropriation?

\_\_\_\_\_ Yes

\_\_\_\_\_ No

**Instruction 5.2 — Damages**

The damages that may be awarded for a common law misappropriation may be measured and calculated in the same manner as the damages for misappropriation of trade secrets. Thus, you may consider any of the instructions as to damages that you were given with regard to Alcatel's trade secret claim in considering the damages, if any, to award on the claim of trade secret misappropriation, including the advantages gained from the misappropriation, whether Cisco was unjustly enriched, or the reasonable royalty that Cisco and Alcatel would have agreed to as the fair price for the unrestricted use of any product or information developed by Alcatel through substantial time, labor, skill and money.

If you have awarded damages to Alcatel on any of the claims that you have already

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<sup>37</sup> *U.S. Sporting Products, Inc. v. Johnny Stewart Game Calls, Inc.*, 865 S.W.2d 214, 218 (Tex. App.--Waco 1993, writ denied).

considered, I remind you that the damages, if any, that you award on this claim will not be added to the damages, if any, that you award on any other claim. Alcatel will recover only one compensatory damage award, if any, and it will be in an amount equal to the highest award that you give for any of Alcatel's claims.

**Question 5.B**

If you answered "Yes" to Question 5.A, then answer the following question. Otherwise, do not answer the following question.

What sum of money, if any, if paid now in cash, would fairly and reasonably compensate Alcatel for the damages, if any, that resulted from such misappropriation?

Answer in dollars and cents:

\$ \_\_\_\_\_

**Instruction 5.3 — Punitive Damages**

If you have decided that Alcatel was harmed or damaged by Cisco's misappropriation of a unique, pecuniary interest created by Alcatel through the expenditure of labor, skill and money, you must decide whether punitive damages should be awarded against Cisco.

The factors that should guide your consideration of whether you should assess punitive damages against Cisco and, if so, in what amount, are the same with respect to Alcatel's claim of common law misappropriation as they were with respect to Alcatel's claim of trade secret

misappropriation.

If you have awarded punitive damages to Alcatel on any of the claims that you have already considered, I remind you that the punitive damages, if any, that you award on this claim will not be added to the punitive damages, if any, that you award on any other claim. Alcatel will recover only one punitive damage award, if any, and it will be in an amount equal to the highest punitive damage award that you give for any of Alcatel's claims.

**Question 5.C**

Do you find by clear and convincing evidence that the harm to Alcatel resulted from malice on the part of Cisco?

\_\_\_\_\_ **Yes**

\_\_\_\_\_ **No**

**Question 5.D**

If you answered "Yes" to Question 5.C, then answer the following question. If you answered "No" to Question 5.C, do not answer the following question:

What amount of money, if any, should be assessed against Cisco and awarded to Alcatel as punitive damages for the conduct found in response to Question 5.C?

Answer in dollars and cents:

\$ \_\_\_\_\_

## **VI. VIOLATION OF THE TEXAS THEFT LIABILITY ACT**

### **Instruction 6.1 — Alcatel's Claim**

Texas law provides that any person or corporation that steals property is liable to the owner of the property for damages resulting from the theft.<sup>38</sup> Texas law also provides that any person who steals or transmits to another person a trade secret is liable to the owner of the trade secret. In this case, Alcatel claims that Cisco stole six trade secrets, which are listed above in section IV. In addition, Alcatel claims that Cisco stole certain software for its OGX product that is not included within the list of claimed trade secrets.

### **Instruction 6.2 — Elements Of The Offense Of Trade Secret Theft**

Under Texas law, a person or corporation that knowingly steals a trade secret, or knowingly communicates or transmits a trade secret, is liable for any damages resulting from the theft.<sup>39</sup> For purposes of this claim, the definition of a trade secret is “the whole or any part of any scientific or technical information, design, process, procedure, formula or improvement that has value and that the owner has taken measures to prevent from becoming available to persons other

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<sup>38</sup> Tex. Civ. Prac. & Rem. Code §134.003 (2002).

<sup>39</sup> Texas Theft Liability Act, Civ. Prac. & Rem. Code § 134.003 (2002); Texas Penal Code §31.05(b) (2002).

than those selected by the owner to have access for limited purposes.”<sup>40</sup>

A corporation or person steals a trade secret when the corporation or person acquires the trade secret by theft. A theft occurs when a corporation or a person takes property belonging to someone else, without the consent of the owner of the property.<sup>41</sup>

A person acts knowingly with respect to the nature of his conduct when he is aware of the nature of his conduct.<sup>42</sup> A corporation acts “knowingly” when an employee of the corporation acts knowingly, if the employee had a purpose to benefit the corporation and acts within the scope of his duties.<sup>43</sup>

In order to prevail on its claim of theft of trade secrets under the Texas Theft Liability Act, Alcatel must prove:

First, that Alcatel owned a trade secret;

Second, that Cisco took a copy of the trade secret, or communicated or transmitted the trade secret;

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<sup>40</sup> Texas Penal Code §31.05(a)(4) (2002); *McGowan v. State*, 938 S.W.2d 732, 738 (Tex. App.-Houston 1996), *aff’d*, 975 S.W.2d 621 (Tex. Crim. App. 1998).

<sup>41</sup> Texas Penal Code §31.01(7), §31.05(b); *McGowan v. State*, 938 S.W.2d 732, 738 (Tex. App.-Houston 1996), *aff’d*, 975 S.W.2d 621 (Tex. Crim. App. 1998).

<sup>42</sup> Texas Penal Code §6.03 (2002).

<sup>43</sup> *Standard Oil Co. v. United States*, 307 F.2d 120, 128 (5th Cir. 1962)(citing *United States v. A.P. Trucking Co.*, 358 U.S. 121 (1958)); *Medical Slenderizing, Inc. v. State of Texas*, 579 S.W.2d 569, 574 (Tex. Civ. App. — Tyler 1979, writ ref’d n.r.e.).

Third, that Cisco did so without Alcatel's consent;

Fourth, that Cisco did so knowingly.

**Instruction 6.3 — Elements Of The Claim Of Theft Of Property**

In addition to a claim of theft of trade secrets, under the Texas Theft Liability Act, a person commits an offense if he unlawfully appropriates property with intent to deprive the owner of property.<sup>44</sup> To “appropriate” property means to acquire or otherwise exercise control over property.

Appropriation of property is unlawful if:

(1) it is without the owner's effective consent; or

(2) the property is stolen and the person appropriates the property knowing it was stolen by another.

Property includes both tangible and intangible property.<sup>45</sup>

**Question 6.A**

Did Cisco knowingly steal, communicate or transmit a trade secret that belonged to Alcatel without Alcatel's consent or unlawfully appropriate Alcatel's property with intent to

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<sup>44</sup> Texas Theft Liability Act, Civ. Prac. & Rem. Code § 134.002(2) (2002); Texas Penal Code §31.03 (2002).

<sup>45</sup> Tex. Penal Code §31.01(5)(B)(2002).

deprive Alcatel of property?

Answer "Yes" or "No."

\_\_\_\_\_ Yes

\_\_\_\_\_ No

**Instruction 6.4 -- Damages**

In determining the amount of damages, if any, that you may award for a violation of the Texas Theft Liability Act, you may consider the damages that resulted from the theft.<sup>46</sup> The damages may include the fair market value of the trade secrets or property that were taken at the time they were taken.<sup>47</sup> In determining the fair market value of the trade secrets or property that were taken, you may consider what a reasonable royalty would be for those trade secrets or property, in accordance with the instruction I have given you about how to determine what would be a reasonable royalty. If you cannot ascertain the fair market value of the trade secrets or property, you may award the cost that Cisco would have incurred to replace the trade secrets or property within a reasonable time after the theft. In making that determination, you may consider the cost that Alcatel incurred in developing the trade secrets or property.<sup>48</sup>

If you have awarded damages to Alcatel on any of the claims that you have already

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<sup>46</sup> Texas Theft Liability Act, Civ. Prac. & Rem. Code § 134.003 (2002).

<sup>47</sup> Texas Penal Code §31.08 (2002).

<sup>48</sup> Texas Penal Code §31.08 (2002).

considered, I remind you that the damages, if any, that you award on this claim will not be added to the damages, if any, that you award on any other claim. Alcatel will recover only one compensatory damage award, if any, and it will be in an amount equal to the highest award that you give for any of Alcatel's claims.

**Question 6.B**

If you answered "Yes" to Question 6.A, then answer the following question. Otherwise, skip to Question 7.A.

What sum of money, if any, if paid now in cash, would fairly and reasonably compensate Alcatel for the damages, if any, that resulted from such theft?

Answer in dollars and cents:

\$ \_\_\_\_\_

**Instruction 6.5 -- Punitive Damages**

If you have decided that Alcatel was harmed or damaged by Cisco's theft of trade secrets or property, you must decide whether punitive damages should be awarded against Cisco.

The factors that should guide your consideration of whether you should assess punitive damages against Cisco and, if so, in what amount, are the same with respect to Alcatel's claim of theft of trade secrets as they were with respect to Alcatel's claim of trade secret misappropriation. You may award of punitive damages against Cisco in this case based upon a criminal act by an



employee of Cisco, but only if:

- (1) Cisco authorized the doing and the manner of the act;
- (2) the employee was unfit and Cisco acted with malice in employing or retaining the employee;
- (3) the employee was employed in a managerial capacity and was acting in the scope of employment; or
- (4) Cisco or a manager of Cisco ratified or approved the act.<sup>49</sup>

Cisco ratified an act if Cisco retained the benefits of the act, with knowledge of the material facts concerning the act.<sup>50</sup>

If you have awarded punitive damages to Alcatel on any of the claims that you have already considered, I remind you that the punitive damages, if any, that you award on this claim will not be added to the punitive damages, if any, that you award on any other claim. Alcatel will recover only one punitive damage award, if any, and it will be in an amount equal to the highest punitive damage award that you give for any of Alcatel's claims.

### **Question 6.C**

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<sup>49</sup> Tex. Civ. Prac. & Rem. Code §41.005 (2002).

<sup>50</sup> Restatement (Second) of Agency § 82; *NMS Industries, Inc. v. Premium Corp. of America*, 451 F.2d 542, 545 (5th Cir.1971).

Do you find by clear and convincing evidence that the harm to Alcatel resulted from malice on the part of Cisco?

\_\_\_\_\_ **Yes**

\_\_\_\_\_ **No**

**Question 6.D**

If you answered “Yes” to Question 6.C, then answer the following question. If you answered “No” to Question 6.C, do not answer the following question:

What amount of money, if any, should be assessed against Cisco and awarded to Alcatel as punitive damages for the conduct found in response to Question 6.C?

Answer in dollars and cents:

\$ \_\_\_\_\_

**VII. CONSPIRACY**

**Instruction 7.1 — Alcatel’s Conspiracy Claim**

Alcatel claims that, prior to its acquisition of Monterey, Cisco conspired with the founders of Monterey (Ali Saleh, Zareh Baghdasarian and Michael Zadikian), certain of Monterey’s employees (Joe Bass, John Adler, Marian Trnkus and Sudi Beheshti) and the four Venture Capital Firms that invested in Monterey (Sequoia Capital, Jafco, Communications

Ventures and Sevin Rosen). Alcatel claims that the purpose of the conspiracy was to misappropriate trade secrets and proprietary technology belonging to Alcatel.

**Instruction 7.2 — Civil Conspiracy Generally**

A conspiracy is a kind of partnership, in which each member becomes the agent of every other member. The essence of a conspiracy is a combination or agreement to violate or to disregard the law.

Mere similarity of conduct among various persons and the fact that they may have associated with each other and may have assembled together and may have discussed some common aims and interests is not necessarily proof of the existence of a conspiracy.

However, the evidence in the case need not show that the members entered into any express or formal agreement, or that they talked among themselves as to what their object or purpose was to be, or the details thereof, or the means by which the object or purpose was to be accomplished. An agreement or understanding constituting a “civil conspiracy” need not be formal. The understanding may be a tacit one, and it is not essential that each conspirator have knowledge of the details of the conspiracy.<sup>51</sup>

In order to establish that a conspiracy existed, Alcatel must show that members of the conspiracy, in some way or manner, or through some contrivance, came to a mutual

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<sup>51</sup> *Facciolla v. Linbeck Constr. Corp.*, 968 S.W.2d 435, 445 (Tex. App. — Texarkana 1998, no pet.).

understanding, either spoken or unspoken, to try to accomplish a common and unlawful plan.<sup>52</sup>

Because of the clandestine nature of a conspiracy, a conspiracy may be proved by inference and circumstantial evidence concerning the character of the acts done, the relation of the parties and other facts and circumstances suggestive of a concerted action. A civil conspiracy need not be shown by direct evidence, and is ordinarily established by circumstantial evidence.<sup>53</sup>

### **Instruction 7.3 — Civil Conspiracy Elements**

An actionable civil conspiracy is a combination by two or more persons to accomplish an unlawful purpose or to accomplish a lawful purpose by unlawful means.<sup>54</sup> To prove its claim of civil conspiracy, Alcatel must establish by a preponderance of the evidence that:

- (1) There are two or more persons in the conspiracy;
- (2) That there was an object to be accomplished;
- (3) That there was a meeting of minds on the object to be accomplished or on the course of action;
- (4) That there were one or more unlawful, overt acts committed in furtherance of the

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<sup>52</sup> 3B Fed. Jury Prac. & Instr. § 167.30 (5th ed.)

<sup>53</sup> *Facciolla v. Linbeck Constr. Corp.*, 968 S.W.2d 435, 445 (Tex. App. — Texarkana 1998, no pet.).

<sup>54</sup> *Meineke Discount Muffler v. Jaynes*, 999 F.2d 120, 124 (5th Cir. 1993); *Massey v. Armco Steel Co.*, 652 S.W.2d 932, 934 (Tex. 1983); Texas Pattern Jury Charge §109.1, Comment (1997).

conspiracy;

(5) That Alcatel was damaged as the proximate result of the conspiracy.<sup>55</sup>

The meeting of the minds requirement requires that Alcatel prove that each of the parties to the conspiracy joined the conspiracy with knowledge of the course of action and were aware of the harm or the wrongdoing.<sup>56</sup> Not all parties must join the conspiracy at the same time, however. A person may be liable as a conspirator regardless of the point in time at which he enters the conspiracy, so long as he enters it with intent to further its objects during the life of the conspiracy.<sup>57</sup> In deciding whether any person had the necessary intention to be a member of a conspiracy, you may rely on inferences and deductions drawn from the acts of that person.<sup>58</sup>

The requirement of an unlawful overt act means that one or more persons involved in the conspiracy must have performed some unlawful act or acts to further the conspiracy. “Unlawful” means in violation of either criminal or civil law.<sup>59</sup>

If you should find that not all of the persons alleged to have been members of the claimed

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<sup>55</sup> *Carroll v. Timmers Chevrolet, Inc.*, 592 S.W.2d 922, 926 (Tex. 1979); *McWhorter v. Sheller*, 993 S.W.2d 781, 787 (Tex. App. 1999 -- Houston [14th Dist.], pet. denied); Texas Pattern Jury Charge §109.1 (1997).

<sup>56</sup> *Triplex Communications v. Riley*, 900 S.W.2d 716, 719 (Tex. 1995); *Laparade v. Rivera*, 2002 Tex. App. LEXIS 3487 at \*27 (May 16, 2002).

<sup>57</sup> *Roberts v. United States*, 416 F.2d 1216, 1220-21 (5th Cir. 1969).

<sup>58</sup> *Carroll v. Timmers Chevrolet, Inc.*, 592 S.W.2d 922, 926 (Tex. 1979) (citing *International Bankers Life Ins. Co. v. Holloway*, 368 S.W.2d 567, 581-82 (Tex. 1963).)

<sup>59</sup> *Eberle v. Adams*, 73 S.W.3d 322, 336 (Tex. App. — Houston [1st Dist.] 2001, pet. filed).

conspiracy were members of the conspiracy, you may still find a conspiracy, as long as you find that Cisco conspired with at least one other person.

**Question 7.A**

Did Cisco conspire with one or more of the following persons to misappropriate Alcatel's trade secrets, commit common law misappropriation, or violate the Texas Theft Liability Act, causing damage to Alcatel: the founders of Monterey (Ali Saleh, Zareh Baghdasarian and Michael Zadikian), Joe Bass, John Adler, Marian Trnkus, Sudi Beheshti or any of the Venture Capital Firms ?<sup>60</sup>

\_\_\_\_\_ **Yes**

\_\_\_\_\_ **No**

**Instruction 7.4 — Damages**

If Cisco participated in a civil conspiracy, it is liable for the damages sustained by Alcatel as a result of the conspiracy. In determining the amount of damages from the conspiracy, if any, that you may award against Cisco, you may include any damages caused by any member of the conspiracy. The damages that you may award include the profits that each member of the conspiracy made as a result of their participation in the conspiracy.

If you have awarded damages to Alcatel on any of the claims that you have already

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<sup>60</sup> Texas Pattern Jury Charge §109.1 (1997).

considered, I remind you that the damages, if any, that you award on this claim will not be added to the damages, if any, that you award on any other claim. Alcatel will recover only one compensatory damage award, if any, and it will be in an amount equal to the highest award that you give for any of Alcatel's claims.

**Question 7.B**

If you answered "Yes" to Question 7.B, then answer the following question. Otherwise, do not answer the following question.

What sum of money, if any, if paid now in cash, would fairly and reasonably compensate Alcatel for the damages, if any, that resulted from the conspiracy?

Answer in dollars and cents:

\$ \_\_\_\_\_

**Instruction 7.5 -- Punitive Damages**

If you have decided that Alcatel was harmed or damaged by the conspiracy, you must decide whether punitive damages should be awarded against Cisco.

The factors that should guide your consideration of whether you should assess punitive damages against Cisco and, if so, in what amount, are the same with respect to Alcatel's claim of theft of trade secrets as they were with respect to Alcatel's claim of trade secret misappropriation. You may award of punitive damages against Cisco in this case based upon a criminal act by an

employee of Cisco, but only if:

- (1) Cisco authorized the doing and the manner of the act;
- (2) the employee was unfit and Cisco acted with malice in employing or retaining the employee;
- (3) the employee was employed in a managerial capacity and was acting in the scope of employment; or
- (4) Cisco or a manager of Cisco ratified or approved the act.<sup>61</sup>

Cisco ratified an act if Cisco retained the benefits of the act, with knowledge of the material facts concerning the act.<sup>62</sup>

If you have awarded punitive damages to Alcatel on any of the claims that you have already considered, I remind you that the punitive damages, if any, that you award on this claim will not be added to the punitive damages, if any, that you award on any other claim. Alcatel will recover only one punitive damage award, if any, and it will be in an amount equal to the highest punitive damage award that you give for any of Alcatel's claims.

### **Question 7.C**

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<sup>61</sup> Tex. Civ. Prac. & Rem. Code §41.005 (2002).

<sup>62</sup> Restatement (Second) of Agency § 82; *NMS Industries, Inc. v. Premium Corp. of America*, 451 F.2d 542, 545 (5th Cir.1971).



Do you find by clear and convincing evidence that the harm to Alcatel resulted from malice on the part of Cisco?

\_\_\_\_\_ **Yes**

\_\_\_\_\_ **No**

**Question 7.D**

If you answered “Yes” to Question 7.C, then answer the following question. If you answered “No” to Question 7.C, do not answer the following question:

What amount of money, if any, should be assessed against Cisco and awarded to Alcatel as punitive damages for the conduct found in response to Question 7.C?

Answer in dollars and cents:

\$ \_\_\_\_\_

**VIII. CONVERSION**

**Instruction 8.1 — Elements Of Conversion**

Alcatel seeks to hold Cisco liable for conversion. What is a conversion? Reduced to its simplest terms, conversion means to take property belonging to someone. Texas law defines a conversion as the unauthorized and wrongful assumption and exercise of dominion and control

over the property of another, to the exclusion of or inconsistent with the owner's rights.<sup>63</sup>

Alcatel claims that Cisco converted Alcatel's OGX administrative software code and its trade secrets in the Whip Concept, Whip, Whipsource, Makedep, Makefiles, Cross-Connect Architecture, Alcatel Product Solution, and Cross-Connection Management software. Property in the nature of trade secrets and confidential business information may be the subject of a conversion claim.<sup>64</sup>

In order to establish that Cisco committed a conversion, Alcatel must establish the following elements:

First, that Alcatel owned the property in question;

Second, that Cisco intentionally exercised control over that property;

Third, that Cisco's exercise of control over the property interfered with, or was inconsistent with, Alcatel's right of possession; and

Fourth, that Cisco's exercise of control over the property was unauthorized.<sup>65</sup>

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<sup>63</sup> See *Waisath v. Lack's Stores, Inc.*, 474 S.W.2d 444, 447 (Tex. 1971); *50-Off Stores, Inc. v. Banque Paribas (Suisse), S.A.*, 180 F.3d 247, 253 (5th Cir. 1999).

<sup>64</sup> See *H.H. Chandler v. Mastercraft Dental Corporation of Texas, Inc.*, 739 S.W.2d 460, 469 (Tex. App.—Fort Worth 1987); *Deaton v. United Mobile Networks, L.P.*, 926 S.W.2d 756, 763 (Tex. App.—Texarkana 1996), *aff'd in part and rev'd in part (on other grounds)*, 939 S.W.2d 146 (Tex. 1997).

<sup>65</sup> See *Waisath v. Lack's Stores, Inc.*, 474 S.W.2d 444, 447 (Tex. 1971); *50-Off Stores, Inc. v. Banque Paribas (Suisse), S.A.*, 180 F.3d 247, 253 (5th Cir. 1999).

**Question 8.A**

Did Cisco convert the property of Alcatel?

\_\_\_\_\_ Yes

\_\_\_\_\_ No

**Instruction 8.2 — Damages**

The measure of damages for the conversion of personal property is the fair market value of the property converted, measured as of the date of the conversion, plus any other losses suffered as a natural and proximate cause of the conversion.<sup>66</sup>

If you have awarded damages to Alcatel on any of the claims that you have already considered, I remind you that the damages, if any, that you award on this claim will not be added to the damages, if any, that you award on any other claim. Alcatel will recover only one compensatory damage award, if any, and it will be in an amount equal to the highest award that you give for any of Alcatel's claims.

**Question 8.B**

If you answered "Yes" to Question 8.A, then answer the following question. Otherwise, do not answer the following question.

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<sup>66</sup> *50-Off Stores, Inc. v. Banque Paribas (Suisse), S.A.*, 180 F.3d 247, 254 (5th Cir. 1999); *United Mobile Networks, L.P. v. Deaton*, 939 S.W.2d 146, 148 (Tex. 1997).

What sum of money, if any, if paid now in cash, would fairly and reasonably compensate Alcatel for the damages, if any, that resulted from the conversion?

Answer in dollars and cents:

\$ \_\_\_\_\_

**Instruction 8.3 -- Punitive Damages**

If you have decided that Cisco converted Alcatel's property, you must decide whether punitive damages should be awarded against Cisco.

The factors that should guide your consideration of whether you should assess punitive damages against Cisco and, if so, in what amount, are the same with respect to Alcatel's claim of conversion as they were with respect to Alcatel's claim of trade secret misappropriation.

If you have awarded punitive damages to Alcatel on any of the claims that you have already considered, I remind you that the punitive damages, if any, that you award on this claim will not be added to the punitive damages, if any, that you award on any other claim. Alcatel will recover only one punitive damage award, if any, and it will be in an amount equal to the highest punitive damage award that you give for any of Alcatel's claims.

**Question 8.C**

Do you find by clear and convincing evidence that the harm to Alcatel resulted from malice on the part of Cisco?

\_\_\_\_\_ **Yes**

\_\_\_\_\_ **No**

**Question 8.D**

If you answered “Yes” to Question 8.C, then answer the following question. If you answered “No” to Question 8.C, do not answer the following question:

What amount of money, if any, should be assessed against Cisco and awarded to Alcatel as punitive damages for the conduct found in response to Question 8.C?

Answer in dollars and cents:

\$ \_\_\_\_\_

**Question 8.4 — Basis Of Award Of Punitive Damages**

Have any of your awards of punitive damages, if any, been based on a finding that, with intent to defraud or harm Alcatel, Cisco destroyed, removed, concealed or otherwise impaired the availability of a writing?

For purposes of this instruction, a “writing” includes any method of recording information, including on a computer.<sup>67</sup>

\_\_\_\_\_ **Yes**

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<sup>67</sup> Tex. Civ. Prac. & Rem. Code §41.008(c)(12) (2002); Texas Penal Code §32.47 (2002).

\_\_\_\_\_ No

## **IX. COPYRIGHT INFRINGEMENT**

### **Instruction 9.1 -- Alcatel's Copyright Infringement Claim**

Alcatel's next claim is that Cisco has infringed copyrights in certain computer software programs that belong to Alcatel. Those programs are:

BUILD\_TOOLS/WHIPSOURCE.PL (V. 1.1)

BUILD\_TOOLS/WHIPSOURCE.PL (V. 1.3)

BUILD\_TOOLS/WHIP.PL (V. 1.1)

BUILD\_TOOLS/WHIP.PL (V. 1.3)

APU/AXM/MAKEFILE (V. 1.1)

APU/AXM/MAKEFILE (V. 1.9)

BUILD\_TOOLS/TARGETS.MK (V.1.1)

BUILD\_TOOLS/TARGETS.MK (V.1.22)

BUILD\_TOOLS/MAKEFILE (V. 1.1)

BUILD\_TOOLS/MAKEFILE (V. 1.26)

BUILD\_TOOLS/DEFINES.MK (V. 1.1)

BUILD\_TOOLS/DEFINES.MK (V. 1.35)

BUILD\_TOOLS/RULES.MK (V. 1.1)

BUILD\_TOOLS/RULES.MK (V. 1.12)

MAKEGEN.PL (V. 1.1)

MAKEGEN.PL (V. 1.9)

MAKEDEP.PL (V. 1.1)

MAKEDEP.PL (V. 1.5)

For convenience, I will refer to these programs as the Software Programs.

The Cisco software programs that Alcatel contends infringe its copyrights in the Software Programs are:

GENPAT.PL

WHIPSOURCE.PL

GENDEP.PL

DEFINES.MK

RULES.MK

TARGETS.MK

RECURSE.MK

MAKEFILE, V

For convenience, I will refer to these programs as the Cisco Programs.

The owner of a copyright generally has the right to exclude any other person from reproducing, preparing derivative works, distributing, performing, or displaying the work for a specific period of time. One who reproduces, prepares derivative works, or displays a copyrighted work during the term of the copyright, infringes the copyright, unless licensed by the copyright owner.

In this case, Alcatel is seeking damages from Cisco for copyright infringement. Cisco denies infringing Alcatel's copyrights. Cisco also contends that Alcatel's copyrights are invalid and that there is no copyright infringement because its actions represented "fair use."

**Instruction 9.2 -- What Is A Copyright?**

Copyright is the exclusive right to copy. This right to copy includes the exclusive rights to:

(1) authorize, or make additional copies, or otherwise reproduce the copyrighted work in copies;



(2) recast, transform, or adapt the work, that is prepare derivative works based upon the copyrighted work; and

(3) distribute copies of the copyrighted work to the public by sale or other transfer of ownership.

A copyright owner is also entitled to exclude others from creating derivative works based upon the owner's copyrighted work. The term derivative work refers to a work based on one or more pre-existing works, such as any form in which the pre-existing work is recast, transformed, or adapted. Accordingly, the owner of a copyrighted work is entitled to exclude others from recasting, transforming or adapting the copyrighted work without the owner's permission.<sup>68</sup>

It is the owner of a copyright who may exercise these exclusive rights to copy. The term "owner" includes the author of the work or an assignee. In general, copyright law protects against production, adaptation, or distribution of substantially similar copies of the owner's copyrighted work without the owner's permission. An owner may enforce these rights to exclude others in an action for copyright infringement. Even though one may acquire a copy of the copyrighted work, the copyright owner retains rights and control of that copy, including uses that may result in additional copies or alterations of the work.

A computer program can be a copyrighted work just like any work of text, although it may

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<sup>68</sup> *Twin Peaks Productions, Inc. v. Publications International, Ltd.*, 996 F.2d 1366, 1373 (2d Cir. 1993); *Central Point Software v. Nugent*, 903 F. Supp.1057, 1060 (E.D. Tex 1995); *Accusoft v. Mattel*, 117 F. Supp.2d 99, 101 (D. Mass 2000); 17 U.S.C. §§ 101, 106(2).

be written in a language other than conventional English. Facts, ideas, procedures, processes, systems, methods of operations, concepts, principles, or discoveries cannot themselves be copyrighted. A copyrighted work must be original. An original work that closely resembles other works can be copyrighted so long as the similarity between the two works is not the result of copying the work of another.

The copyrighted works involved in this trial are known as computer programs, that is, a literary work composed of a set of statements or instructions to be used directly or indirectly in a computer to bring about a certain result. You are instructed that a copyright may be obtained in the Software Programs.<sup>69</sup>

### **Instruction 9.3 -- Ideas and Expression**

Copyright law allows the author of a work to prevent others from copying the way or form the author used to express the ideas in the author's work. Only the particular way of expressing an idea can be copyrighted. Copyright law does not give the author the right to prevent others from copying or using the underlying ideas contained in the work, such as any procedures, processes, systems, methods of operation, concepts, principles or discoveries.

The right to exclude others from copying extends only to how the author expressed the ideas in the copyrighted work. The copyright is not infringed when someone uses an idea from a

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<sup>69</sup> 17 U.S.C. §§ 101, 102; *Daboub v. Gibbens*, 42 F.3d 285, 289 (5th Cir. 1995); *Veek v. Southern Code Consumer Int'l, Inc.*, 241 F.3d 398, 401 (5th Cir. 2001); *Kelly v. Arriba Soft Corp.*, 280 F.3d 934, 940 (9th Cir. 2001); *Boyle v. U.S.*, 200 F.3d 1369, 1374 (Fed. Cir 2000).

copyrighted work, as long as the particular way of expressing that idea in the work is not copied. But ideas can be protected under trade secret law. And the rights in an idea that is a trade secret may be misappropriated, regardless of whether the exact way of expressing the idea is misappropriated.<sup>70</sup>

#### **Instruction 9.4 -- How A Copyright Is Obtained**

A copyright automatically exists in a work the moment it is fixed in any tangible medium of expression. The owner of the copyright may register the copyright by delivering to the Copyright Office of the Library of Congress a copy of the copyrighted work. After examination and a determination that the material deposited constitutes copyrightable subject matter and that legal and formal requirements are satisfied, the Register of Copyrights registers the work and issues a certificate of registration to the copyright owner.<sup>71</sup>

#### **Instruction 9.5 -- Alcatel's Burden Of Proof**

In this case, Alcatel contends that Cisco has infringed its copyrighted programs. Alcatel has the burden of proving by a preponderance of the evidence it is the owner of the copyrights in the Software Programs and that Cisco copied them.

One who reproduces and/or prepares derivative works from a copyrighted work without authority from the copyright owner during the term of the copyright, infringes the copyright. To

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<sup>70</sup> 17 U.S.C. § 102(b); *Veek v. Southern Code Consumer Int'l, Inc.*, 241, F.3d 398, 407 (5th Cir. 2001); *Computer Management Assistance Co. v. De Castro, Inc.*, 220 F.3d 396, 400 (5th Cir. 2000); *Engineering Dynamics, Inc. v. Structural Software, Inc.*, 26 F.3d 1335, 1341 (5th Cir. 1994); *Kepner-Tregoe, Inc. v. Leadership Software Inc.*, 12 F.3d 527, 533 (5th Cir. 1994).

<sup>71</sup> 17 U.S.C. § 101, *et. seq.*

prove that the defendant infringed the copyright, Alcatel may show that the defendant had access to the Software Programs and that there are substantial similarities between Cisco's programs and the Software Programs.<sup>72</sup>

**Instruction 9.6 -- Copyright Infringement - Ownership and Copying**

Anyone who copies a copyrighted work during the term of the copyright without the owner's permission infringes the copyright. To prove infringement, Alcatel must prove that it is the owner of valid copyrights in the Software Programs and that Cisco copied the Software Programs.<sup>73</sup>

**Instruction 9.7 -- Copyright Ownership**

The creator of an original work is called the author of that work. Copyright in a work vests initially in the author of a work. A corporation is considered the author of works made for hire by

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<sup>72</sup> *Computer Mgmt. Assistance Co. v. Robert F. DeCastro, Inc.*, 220 F.3d 396, 400 (5th Cir. 2000); *Veek v. Southern Building Code Consumer Int'l.*, 241 F.3d 378, 402 (5th Cir. 2001); *Montgomery v. Huss*, 168 F.3d 1282, 1288 (11th Cir. 1999); *Saenger Org., Inc. v. Nationwide Ins. Licensing Assoc. Inc.*, 119 F.3d 55, 59 (1st Cir. 1997); *Gamma Audio & Video, Inc. v. EAN-CHEA*, 11 F.3d 1106, 1114 (1st Cir. 1993); *Peel & Co., Inc., v. The Rug Market*, 238 F.3d 391, 395 (5th Cir.2001);*King v. Ames*, 179 F.3d 370, 375 (5th Cir. 1999); *McGaughey v. Twentieth Century Fox Film Corp.*, 12 F.3d 62, 64 (5th Cir. 1994); *Poisson v. Banian Ltd.*, 273 F.3d 262, 267 (2d Cir. 2001); *Susan Wakeen Doll Co., v. Ashton-Drale Galleries*, 272 F.3d 441, 448 (7th Cir. 2001).

<sup>73</sup> 17 U.S.C.A. § 101, 106; *Peel & Co., Inc., v. The Rug Market*, 238 F.3d 391, 394 (5<sup>th</sup> Cir.2001); *Veek v. Southern Building Code Consumer Int'l. Inc.*, 241 F.3d 378, 402 (5th Cir. 2001); *Computer Mgmt. Assistance Co. v. Robert DeCastro, Inc.*, 220 F.3d 396, 400 (5th Cir. 2000); *Playboy Enterprises v. Webbworld Inc.*, 991 F.Supp. 543, 551 (N.D. Tex. 1997); *Montgomery v. Huss*, 168 F.3d 1282, 1288 (11th Cir. 1999); *Saenger Org., Inc. v. Nationwide Ins. Licensing Assoc. Inc.*, 119 F.3d 55, 59 (1st Cir. 1997); *Gamma Audio & Video, Inc. v. EAN-CHEA*, 11 F.3d 1106, 1114 (1st Cir. 1993).

its employees and works that are assigned to it. Cisco disputes Alcatel's contention that the Software Programs were assigned to Alcatel. Cisco also disputes Alcatel's alternative contention that the Software Programs are works for hire.<sup>74</sup>

#### **Instruction 9.8 -- Registration Creates Prima Facie Presumption Of Validity**

Alcatel has obtained copyright registrations for the Software Programs. A person who holds a copyright may obtain a certificate of registration from the Copyright Office of the Library of Congress. Those copyright registrations create a *prima facie* presumption that Alcatel is the owner of a valid copyrights for the Software Programs. A "*prima facie* presumption" means sufficient evidence to establish that Alcatel has valid copyrights in the Software Programs. If you find that this *prima facie* evidence was not rebutted or contradicted, the registration certificates are sufficient to establish that Alcatel owns the copyrights in the Software Programs.<sup>75</sup>

#### **Instruction 9.9 -- Copyright Assignment**

Alcatel also contends that it owns the copyrights in the Software Programs because they are works made for hire. A work made for hire is one that is prepared by a person who is an employee for copyright law purposes and was prepared within the scope of his or her employment. If a work is a "work made for hire," then the copyright belongs to the employer and not the person who created

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<sup>74</sup> *Community for Creative Non-Violence v. Reid*, 490 U.S. 730, 737 (1989); *Lulirama Ltd., Inc. v. Axxess Broadcast Services, Inc.*, 128 F.3d 872 (5<sup>th</sup> Cir. 1997); *M.G.B. Homes, Inc. v. American Homes, Inc.*, 906 F.2d 1496, 1492 (11<sup>th</sup> Cir. 1990); 17 U.S.C. § 201(a).

<sup>75</sup> 17 U.S.C. § 410(c); *Norma Ribbon & Trimming, Inc. v. Little*, 51 F.3d 45, 47 (5<sup>th</sup> Cir. 1995); *Edmark Indus. SDN. BHD. v. South Asia Int'l (H.K.) Ltd.*, 89 F. Supp. 2d 840, 844 (E.D. Tex. 2000); *Joy Mfg. Co. v. CGM Valve & Gauge Co., Inc.*, 730 F. Supp. 1387, 1398 (S.D. Tex. 1989).

the work.

Alcatel contends that it owns the copyrights in the Software Programs because those copyrights were assigned to Alcatel under the terms of a contract with an agency called Prism Consulting (“Prism”).

A copyright owner may transfer to another person all or part of the owner’s property interest in the copyright, that is, the right to exclude others from copying the work. The person to whom the copyright is transferred becomes the owner of the copyright in the work.

To be valid, the transfer must be in writing. The writing need not be signed by the author of the copyrighted work. It is sufficient if the writing is signed by the author’s authorized agent.

The writing need not employ any magic words. It need only evidence clearly a party’s intent to transfer copyright ownership. There is no requirement that a work be complete before a copyright can be assigned.

The person to whom this right is transferred is called an assignee. The assignee may enforce this right to exclude others in an action for copyright infringement.<sup>76</sup>

#### **Instruction 9.10 -- Agency**

Alcatel has agreements with various agencies to supply temporary labor, including a contract

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<sup>76</sup> See, e.g., 17 U.S.C. § 204(a); *Radio Television Espanola, S.A. v. New World Entm’t, Ltd.*, 183 F.3d 922, 927 (9th Cir. 1999); *Effects Assocs., Inc. v. Cohen*, 908 F.2d 555, 557 (9th Cir. 1990); *Zyware, Inc. v. Middlegate, Inc.*, 44 U.S.PQ.2d 1842 (S.D.N.Y. 1997); see generally 3 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 10.03[A][2], at 10-36 (2000).

with an agency called Prism. The contract between Alcatel and Prism contains a clause that provides that any work done under the contract is the property of Alcatel and is assigned to Alcatel. Alcatel contends that Mr. Trnkus gave Prism the authority to act as Mr. Trnkus's agent in negotiating an arrangement with Alcatel that would allow Mr. Trnkus to work as a software engineer for Alcatel for periods ranging from 6 to 9 months. Alcatel contends that Prism in fact arranged to add Mr. Trnkus to the Prism contract as a software engineer that Prism supplied to Alcatel for periods running from January 1994 through July 1998. Alcatel contends that any copyrighted work that Mr. Trnkus created in the course of his work for Alcatel was assigned to Alcatel under the Prism agreement.

An agency relationship can be created by an express or implied agreement whereby the agent is authorized to act for the principal, subject to the principal's control. To prove an agency relation under Texas law based on actual authority, Alcatel must show that Mr. Trnkus had the right to control both the means and the details of the process by which Prism negotiated his employment at Alcatel.

Alcatel also contends that Mr. Trnkus vested Prism with apparent authority to act on Mr. Trnkus's behalf for purposes of negotiating his employment at Alcatel. Thus, even if you find that Mr. Trnkus did not vest Prism with actual authority to negotiate the terms of his employment at Alcatel, you may nevertheless find that he vested Prism with apparent authority to do so. To establish apparent authority, Alcatel must show that Mr. Trnkus either knowingly permitted Prism to hold itself out as having authority or that Mr. Trnkus showed such a lack of ordinary care as to clothe Prism with indicia of authority for that purpose. To establish apparent authority, Alcatel must

also show that it relied on Prism's authority in good faith, in the exercise of reasonable prudence.<sup>77</sup>

**Instruction 9.11 -- Modification Of The Prism Contract**

Alcatel contends that Prism had an existing contract with Alcatel through which Doug Richardson's services as a software engineer were provided to Alcatel. Alcatel further contends Alcatel and Prism agreed to a modification of this contract by a series of purchase orders that refer to the original Prism agreement. Alcatel contends that these purchase orders Alcatel extended the duration of the original Prism agreement and added Mr. Trnkus to the contract. Alcatel contends that any copyrighted work that Mr. Trnkus created by in the course of his work for Alcatel was assigned to Alcatel under the Prism agreement.

Alcatel also contends that Prism's actions in supplying Mr. Trnkus's services as called for in each purchase order, and Alcatel's payment for Mr. Trnkus's services in accordance with each purchase order, reflect the parties' knowing and intentional waiver of their rights to limit the contract to Mr. Richardson's services only or to limit the life of the contract to a three-month term. Under Texas law, a no-oral-modification clause in a contract can be modified through conduct.<sup>78</sup>

**Instruction 9.12 -- Work Made For Hire Standard**

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<sup>77</sup> *Wells Fargo Bus. Credit v. Ben Kozloff, Inc.*, 695 F.2d 940, 945 (5<sup>th</sup> Cir.), *cert. Denied*, 464 U.S. 818 (1983); *Karl Rove & Co. v. Thornburgh*, 39 F.3d 1273, 1295-96 (5<sup>th</sup> Cir. 1994) (citations omitted); *Lubbock Feed Lots, Inc. v. Iowa Beef Processors, Inc.*, 630 F.2d 250, 269 (5<sup>th</sup> Cir. 1980); *Nations Bank N.A. v. Dilling*, 922 S.W.2d 950, 952-53 (Tex. 1996).

<sup>78</sup> *See, e.g., Brookside Farms v. Mama Rizzo's, Inc.*, 873 F. Supp. 1029, 1034-35 (S.D. Tex. 1995); *Group Hosp. Servs., Inc. v. One and Two Brookriver Ctr.*, 704 S.W.2d 886, 890 (Tex. App. — Dallas 1986, no writ).



Alcatel also contends that it owns the copyrights in the Software Programs because they are works made for hire. A work made for hire is one that is prepared by a person who is an employee for copyright law purposes acting within the scope of his or her employment. If a work is a “work made for hire,” then the copyright belongs to the employer and not the person who created the work.

**Instruction 9.13 – An Author Can Be An Employee For Copyright Purposes Even If His Or Her Title Is Contractor Or Independent Contractor.**

The person who creates a work can be an employee for copyright law purposes even though he or she has been called something else by title or agreement. The most important factor in determining whether that person is an employee for copyright law purposes is whether the employer has the right to control the manner and means by which the services were performed that resulted in the work in question. Thus, you may find that Mr. Trnkus was an employee for copyright law purposes even though he may have held the title of contractor or independent contractor when he created the Software Programs.

There is nothing inconsistent about Alcatel contending that it owns the copyrights in the Software Programs both by assignment and as works made for hire. You may find that Alcatel owns the copyrights in the Software Programs by assignment or as works made for hire.

**Instruction 9.14 -- Factors To Consider In Determining Whether A Work Is A Work For Hire**

In determining whether Mr. Trnkus was an employee for copyright law purposes, you must consider the following factors:

1. whether Alcatel had the right to control the manner and means by which Mr. Trnkus performed services as a software engineer for Alcatel;

2. the skill required;

3. the source of the instrumentalities;

4. the location of the work;

5. the duration of the relationship between the parties;

6. whether Alcatel had the right to assign additional projects to Mr. Trnkus;

7. the extent of Mr. Trnkus's discretion over when and how long to work;

8. the method of payment;

9. Mr. Trnkus's role in hiring and paying assistants;

10. whether the work is part of Alcatel's regular business;

11. whether Alcatel is in business;

12. the provision of employee benefits; and

13. the tax treatment of Mr. Trnkus.

I will now explain to you how you are to apply each of these factors.

### **Instruction 9.15 -- No Single Factor Is Determinative**

No single factor is determinative. For example, even if you find that Alcatel treated Mr. Trnkus as an independent contractor for tax purposes, you may still find that other factors weigh in favor of finding that he was otherwise treated as an employee for copyright law purposes. You must apply all factors that I instruct you are relevant in the way that I instruct you to apply them.

### **Factor 1: The Right To Control**

If you find that Alcatel had the right to control the manner and means by which Mr. Trnkus performed services for Alcatel, then this factor weighs in favor of finding that Mr. Trnkus was an employee for copyright purposes. In applying this factor, you may also consider evidence of actual control. Thus, if you find that Alcatel exercised control over the manner and means by which Mr. Trnkus performed services for Alcatel, then this factor weighs in favor of finding that Mr. Trnkus was an employee for copyright purposes. But if you find that Alcatel did not exercise actual control, you may still find that Alcatel had the right to control the manner and means by which Mr. Trnkus performed services for Alcatel. In other words, Alcatel did not have to exercise actual control over Mr. Trnkus's work for you to find that it had the right to control. If you find, however, that Alcatel did not have the right to control the manner and means by which Mr. Trnkus performed services for Alcatel as a software engineer, then this factor weighs against finding that Mr. Trnkus was an employee for copyright law purposes.

### **Factor 2: The Skill Required**

In this case, the level of skill required is not substantially relevant to the issue of whether Mr.

Trnkus was an employee for copyright law purposes. As a software engineer, Mr. Trnkus was a highly skilled worker. But it is equally clear that highly skilled workers are nothing new to technical companies like Alcatel. You should not give this factor any weight.

**Factor 3: The Source Of The Instrumentalities**

In this case, this factor is of reduced relevance. Cisco contends that Mr. Trnkus created the Software programs at his home with his own computer. But even if you found that Mr. Trnkus did create the Software Programs at his home with his own computer, other Alcatel employees also perform work for Alcatel at home using their own computers. Thus, you should not give this factor any weight.

**Factor 4: Location Of The Work**

In this case, this factor is also of reduced relevance. Cisco contends that Mr. Trnkus created the Software programs at home with his own computer. But even if you found that Mr. Trnkus did create the Software Programs at his home with his own computer, other Alcatel employees also perform work for Alcatel at home using their own computers. Thus, you should not give this factor any weight.

**Factor 5: Duration Of The Relationship Between The Parties**

If you find that the duration of Mr. Trnkus's employment at Alcatel was long, then this factor weighs in favor of finding that Mr. Trnkus was an employee for copyright purposes. However, if you find that the long period that Mr. Trnkus worked at Alcatel was comprised of shorter periods

at the end of which, Alcatel and Mr. Trnkus did not know if he would continue working at Alcatel, that lessens the importance of the long-term nature of his employment. If you find that Mr. Trnkus had limited short-term engagements with companies other than Alcatel during the time he worked at Alcatel, this fact alone does not weigh against finding that Mr. Trnkus was an employee for copyright law purposes.

**Factor 6: Right To Assign Additional Projects**

If you find that Alcatel had the right to assign Mr. Trnkus additional tasks or projects at its discretion, then this factor weighs in favor of finding that Mr. Trnkus was an employee for copyright law purposes. If you find that Mr. Trnkus could refuse to accept additional projects unless Alcatel paid him additional fees, then this factor weighs against finding that he was an employee for copyright law purposes. However, if you find that Mr. Trnkus's refusal to accept additional projects would permit Alcatel to fire Mr. Trnkus, then this factor weighs in favor of finding that Mr. Trnkus was an employee for copyright law purposes.

**Factor 7: Extent Of Hiring Party's Discretion Over When And How Long To Work**

This factor also should not be given any weight in this case because it is inconclusive. There is evidence that Mr. Trnkus had a flexible work schedule, but there is also evidence that other Alcatel engineers enjoyed the same flexible work schedule that Mr. Trnkus did.

**Factor 8: Method Of Payment**

If you find that Mr. Trnkus's bi-weekly payment was not contingent on the completion of any

specific task, but that Mr. Trnkus was paid for his time like other Alcatel employees, then this factor weighs in favor of finding that Mr. Trnkus was an employee for copyright law purposes. But if you find that Alcatel paid Mr. Trnkus a fixed fee for a specific job, and that his payment was not based on the amount of time he worked, then this factor weighs against finding that Mr. Trnkus was an employee for copyright law purposes.

**Factor 9: The Hired Party's Role In Paying For And Hiring Assistants**

Alcatel contends that Mr. Trnkus did not have any role in paying for and hiring assistants. Alcatel contends that Alcatel assigned employees to report to Mr. Trnkus and had Mr. Trnkus report to other employees at Alcatel. If you find that Mr. Trnkus hired and paid for his own assistants, then this factor weighs against finding that Mr. Trnkus was an employee for copyright law purposes. If you find that Mr. Trnkus did not hire and pay for his own assistants, then this factor weighs in favor of finding that Mr. Trnkus was an employee for copyright law purposes.

**Factor 10: Whether The Work Is Part Of The Hiring Party's Regular Business**

If you find that the work that Mr. Trnkus performed as a software engineer was part of Alcatel's regular business, then you should find that this factor weighs in favor of finding that Mr. Trnkus was an employee for copyright purposes. If you find that the work that Alcatel had Mr. Trnkus perform was not part of Alcatel's regular business, then you should find that this factor weighs against finding that Mr. Trnkus was an employee for copyright law purposes.

**Factor 11: Whether The Hiring Party Is In Business**

Alcatel is in business, which would mean that this factor weighs in favor of finding that Mr. Trnkus was an employee for copyright law purposes. But Courts have found this factor has not been found to be particularly useful in most cases. Thus, you should not give it significant weight in making your determination.

**Factor 12: Provision Of Employee Benefits**

If you find that Alcatel provided Mr. Trnkus with employee benefits, then this factor weighs in favor of finding that Mr. Trnkus was an employee for copyright law purposes. If you find that Alcatel did not provide Mr. Trnkus with employee benefits, then this factor weighs against finding that Mr. Trnkus was an employee for copyright law purposes. If you find that Alcatel gave Mr. Trnkus some benefits but not other benefits, then this factor is inconclusive and you should disregard it.

**Factor 13: Tax Treatment**

If you find that Alcatel reported to tax authorities payments to Mr. Trnkus with withholding or by use of a W-4 Form, then this factor weighs in favor of finding that Mr. Trnkus was an employee for copyright law purposes. If you find that Alcatel reported to tax authorities payments to Mr. Trnkus without withholding or by use of a Form 1099, then this factor weighs against finding that Mr. Trnkus was an employee for copyright law purposes.<sup>79</sup>

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<sup>79</sup> Memorandum Opinion and Order Denying Cisco Systems, Inc.'s Motion for Summary Judgment On Alcatel U.S.A., Inc.'s Copyright Claim (Document 100); 17 U.S.C. § 201(b); *Community for Creative Non-Violence v. Reid*, 490 U.S. 730, 737 (1989); *Quintanilla v. Texas Television, Inc.*, 139 F.3d 494, 497 n.9 (5th Cir. 1998); *Marco v. Accent Publ'g Co., Inc.*, 969 F.2d 1547, 1551 (3d Cir. 1992); *Saenger Org., Inc. v. Nationwide Ins. Licensing Assocs., Inc.*, 119

**Instruction 9.16 -- Created Within The Scope Of Employment**

In order to demonstrate that the Software Programs were works made for hire, Alcatel must demonstrate that Mr. Trnkus created the Software Programs within the scope of his employment at Alcatel. If you find that creating the Software Programs was the kind of work that Alcatel employed Mr. Trnkus to perform; that Programs were created within authorized time and space limits; and that the Software Programs were created, at least in part, for the purpose of accomplishing the work of Alcatel, then you must find that Mr. Trnkus created the Software Programs within the scope of his employment at Alcatel.<sup>80</sup>

**Instruction 9.17 -- Copyright Infringement - Original Elements**

A work may include or incorporate elements taken from prior works. The original parts of the plaintiff's work are the parts created: independently by the work's author, that is, the author did not copy it from another work and by use of something more than trivial creativity. In copyright law, the "original element" of a work may not necessarily be new or novel.

Cisco contends that the version 1.3 of the Whip software program is not original. You are

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F.3d 55, 60 (1st Cir. 1997); *Restatement (Second) of Agency* § 220; *Sasnett v. Convergent Media Sys., Inc.*, C.A. No. 95-12262-NG, 1997 U.S. Dist. LEXIS 17960, \*27-28 (D. Mass. Aug. 29, 1997); *Favela v. Fritz Cos.*, 29 U.S.P.Q. 2d 1694, 1695, 1697-98 (C.D. Cal. 1993); *Miller v. CP Chems., Inc.*, 808 F. Supp. 1238, 1243 (D.S.C. 1992); *Texas Workers' Comp. Ins. Facility v. Personnel Serv., Inc.*, 895 S.W.2d 889 (Tex. App. -- Austin 1995); 1 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 5.03[B][1][a], at 5-29-5-30 (2000).

<sup>80</sup> *Miller v. CP Chems., Inc.*, 808 F. Supp. 1238, 1243 (D.S.C. 1992); *see generally* 1 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 5.03[B][1][a], at 5-33 (2000).



instructed that the rest of the Software Programs are original.<sup>81</sup>

**Instruction 9.18 -- Copyright Infringement- Access and Substantial Similarity**

To prove infringement, Alcatel must prove that (1) Cisco had access to Alcatel's copyrighted Software Programs and (2) that there are substantial similarities between the Cisco's Accused Programs and Alcatel's copyrighted Software Programs.

**Access**

You may find that Cisco had access to Alcatel's Software Programs if whoever created the Cisco Programs had a reasonable opportunity to copy the Alcatel Software Programs before the Cisco Programs were created. Reasonable opportunity and/or access means that there was a reasonable possibility the defendant had an opportunity to copy the plaintiff's work.

**Substantial Similarity**

To determine if the Cisco Programs if there is substantially similarity between the Cisco Programs and the Alcatel Software Programs, you must compare them side-by-side. If you determine that the Cisco Programs are substantially similar to the Software Programs, then you must find that Alcatel has proven substantial similarity.<sup>82</sup>

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<sup>81</sup> *Norma Ribbon and Trimming, Inc. v. Little*, 51 F.3d 45, 47 (5<sup>th</sup> Cir. 1995); *Apple Barrel Productions v. R.D. Beard*, 730 F.2d 384, 388 (5<sup>th</sup> Cir. 1984); *Donald v. Zack Meyer's T.V. Sales and Service*, 426 F.2d 1027, 1029-30 (5<sup>th</sup> Cir. 1970); 17 U.S.C. § 101.

<sup>82</sup> *Peel & Co., Inc. v. The Rug Market*, 238 F.3d 39, 395 (5<sup>th</sup> Cir. 2001); *King v. Ames*, 179 F.3d 370, 376 (5<sup>th</sup> Cir. 1999); *Szabo v. Erricson*, 68 F.3d 940, 944 (5<sup>th</sup> Cir. 1995); *Kepner-Tregoe, Inc. v. Leadership Software Inc.*, 12 F.3d 527, 532 (5<sup>th</sup> Cir. 1994).

### **Instruction 9.19 -- Affirmative Defense - Fair Use**

Reasonable use of another's copyrighted work for a purpose such as criticism, comment, news reporting, teaching, scholarship, or research, is not an infringement of copyright.<sup>83</sup> Such use of a copyrighted work is called a fair use. Cisco contends that it made fair use of the Software Programs, and has the burden of proving this defense by a preponderance of the evidence.

In determining whether Cisco's use of the Software Programs was fair, you should consider the following factors:<sup>84</sup>

(1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;

(2) the nature of the copyrighted work;

(3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and

(4) the effect of the use upon the potential market for or value of the copyrighted work.

You are instructed that the use of another's copyright for a commercial purpose weighs

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<sup>83</sup> See 17 U.S.C. § 107.

<sup>84</sup> See *Harper & Row Publishers v. Nation Enterprises*, 471 U.S. 539, 540-41 (1985); *Veeck v. Southern Building Code Congress International, Inc.*, 421 F.3d 398, 409 (5th Cir. 2001); 17 U.S.C. § 107.

against a finding of fair use.<sup>85</sup> You are further instructed that the fair use defense is generally unavailable where a defendant has copied a work in its entirety.<sup>86</sup>

**Instruction 9.20 -- Affirmative Defense - Fraud On The Copyright Office**

Cisco claims that Alcatel committed a fraud on the Copyright Office by allegedly misrepresenting in its applications for copyright registration that Alcatel was the author of the Software Programs and by failing to disclose that the Software Programs were derivative works earlier versions of the Software Programs.

You are instructed that the Copyright Office does not require statements of the derivative nature of a work in a registration application unless a substantial amount of the material incorporated in the derivative work is in the public domain or has been published or registered previously. *See* Compendium of Copyright Office Practices § 626.01(a) at 600-145.

You are instructed that you may determine that Fraud on the Copyright Office occurred only if you find that (1) Alcatel made factually inaccurate statements in the application for copyright registration, (2) the inaccuracies were willful or deliberate, and (3) the Copyright Office relied on those misrepresentations in granting the copyright registration.<sup>87</sup>

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<sup>85</sup> *See 4 Nimmer on Copyright* § 13.05[A][1][c]; *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417, 451 (1983).

<sup>86</sup> *See 4 Nimmer on Copyright* § 13.05[A][3]; *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1016 (9th Cir. 2001); *Worldwide Church of God v. Philadelphia Church of God*, 227 F.3d 1110, 1118 (9th Cir. 2000).

<sup>87</sup> *See Spectrum Creations, Inc. v. Catalina Lighting, Inc.*, 2001 U.S. Dist. LEXIS 11861, \*46 (W.D. Tex. Aug. 1, 2001) (citing *Lennon v. Seaman*, 84 F. Supp. 2d 522, 525 (S.D.N.Y.

Innocent or inadvertent misstatements made in a registration application do not support a finding of Fraud on the Copyright Office.<sup>88</sup> Fraud on the Copyright Office exists only where the registrant had a deliberate intent to mislead the Copyright Office.<sup>89</sup>

### **Instruction 9.21 -- Copyright-Damages**

If you find for Alcatel on the Alcatel's copyright infringement claim, you must determine Alcatel's damages. Alcatel is entitled to recover the actual damages suffered as a result of the infringement. Alcatel must prove damages by a preponderance of the evidence.

Actual damages means the amount of money adequate to compensate the copyright owner. Damages can be awarded based on the fair price that a willing buyer would have been reasonably required to pay to a willing seller at the time of the infringement for the use made by the defendant of the plaintiff's work. This can be measured by the fair market value of a license or the fair market value of what a willing buyer would have been reasonably required to pay a willing seller to permit it to use the Software Programs.<sup>90</sup>

### **Question 9.A**

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2000)).

<sup>88</sup> See *Eckes v. Card Prices Update*, 736 F.2d 859, 861 (2d Cir.1984); *Thomas Wilson & Co. v. Irving J. Dorfman Co., Inc.*, 433 F.2d 409, 412 (2d Cir.1970).

<sup>89</sup> See *Original Appalachian Artworks, Inc. v. Toy Loft, Inc.*, 684 F.2d 821, 828 (11th Cir. 1982).

<sup>90</sup> 17 U.S.C. § 504; *OnDavis v. The GAP, Inc.*, 246 F.3d 152, 172 (2d Cir. 2001); *Deltak, Inc. v. Advanced Systems, Inc.*, 767 F.2d 357, 361 (7th Cir.1985); *Steven Greenberg Photography v. Matt Garrett's of Brockton, Inc.*, 816 F. Supp. 46, 49 (D. Mass. 1992).

Do you find by a preponderance of the evidence that Alcatel is the owner of valid copyrights  
in the in the following software programs?

BUILD_TOOLS/WHIPSOURCE.PL (V. 1.1)	<input type="checkbox"/> Yes <input type="checkbox"/> No
BUILD_TOOLS/WHIPSOURCE.PL (V. 1.3)	<input type="checkbox"/> Yes <input type="checkbox"/> No
BUILD_TOOLS/WHIP.PL (V. 1.1)	<input type="checkbox"/> Yes <input type="checkbox"/> No
BUILD_TOOLS/WHIP.PL (V. 1.3);	<input type="checkbox"/> Yes <input type="checkbox"/> No
APU/AXM/MAKEFILE (V. 1.1)	<input type="checkbox"/> Yes <input type="checkbox"/> No
APU/AXM/MAKEFILE (V. 1.9)	<input type="checkbox"/> Yes <input type="checkbox"/> No
BUILD_TOOLS/TARGETS.MK (V.1.1)	<input type="checkbox"/> Yes <input type="checkbox"/> No
BUILD_TOOLS/TARGETS.MK (V.1.22)	<input type="checkbox"/> Yes <input type="checkbox"/> No
BUILD_TOOLS/MAKEFILE (V. 1.1)	<input type="checkbox"/> Yes <input type="checkbox"/> No
BUILD_TOOLS/MAKEFILE (V. 1.26)	<input type="checkbox"/> Yes <input type="checkbox"/> No
BUILD_TOOLS/DEFINES.MK (V. 1.1)	<input type="checkbox"/> Yes <input type="checkbox"/> No
BUILD_TOOLS/DEFINES.MK (V. 1.35)	<input type="checkbox"/> Yes <input type="checkbox"/> No
BUILD_TOOLS/RULES.MK (V. 1.1)	<input type="checkbox"/> Yes <input type="checkbox"/> No

BUILD\_TOOLS/RULES.MK (V. 1.12)                      ☐ Yes   ☐ No

MAKEGEN.PL (V. 1.1)                                      ☐ Yes   ☐ No

MAKEGEN.PL (V. 1.9)                                     ☐ Yes   ☐ No

MAKEDEP.PL (V. 1.1)                                    ☐ Yes   ☐ No

MAKEDEP.PL (V. 1.5)                                   ☐ Yes   ☐ No

**Question 9.B**

If you answered “Yes” to Question 9.A, then answer the following question. If you answered “No” to Question 9.A, do not answer the following question: Do you find by a preponderance of the evidence that Cisco infringed copyrights in the following software programs?

BUILD\_TOOLS/WHIPSOURCE.PL (V. 1.1)                      ☐ Yes   ☐ No

BUILD\_TOOLS/WHIPSOURCE.PL (V. 1.3)                      ☐ Yes   ☐ No

BUILD\_TOOLS/WHIP.PL (V. 1.1)                               ☐ Yes   ☐ No

BUILD\_TOOLS/WHIP.PL (V. 1.3);                              ☐ Yes   ☐ No

APU/AXM/MAKEFILE (V. 1.1)                               ☐ Yes   ☐ No

APU/AXM/MAKEFILE (V. 1.9)                               ☐ Yes   ☐ No

BUILD\_TOOLS/TARGETS.MK (V.1.1)                           ☐ Yes   ☐ No

BUILD\_TOOLS/TARGETS.MK (V.1.22)      ☐ Yes   ☐ No

BUILD\_TOOLS/MAKEFILE (V. 1.1)      ☐ Yes   ☐ No

BUILD\_TOOLS/MAKEFILE (V. 1.26)      ☐ Yes   ☐ No

BUILD\_TOOLS/DEFINES.MK (V. 1.1)      ☐ Yes   ☐ No

BUILD\_TOOLS/DEFINES.MK (V. 1.35)      ☐ Yes   ☐ No

BUILD\_TOOLS/RULES.MK (V. 1.1)      ☐ Yes   ☐ No

BUILD\_TOOLS/RULES.MK (V. 1.12)      ☐ Yes   ☐ No

MAKEGEN.PL (V. 1.1)      ☐ Yes   ☐ No

MAKEGEN.PL (V. 1.9)      ☐ Yes   ☐ No

MAKEDEP.PL (V. 1.1)      ☐ Yes   ☐ No

MAKEDEP.PL (V. 1.5)      ☐ Yes   ☐ No

**Question 9.C**

If you answered “Yes” to Questions 9.A and 9.B, then answer the following question. If you answered “No” to Question 9.A or Question 9.B, do not answer the following question: Do you find by a preponderance of the evidence that Cisco made fair use of the following programs?

BUILD\_TOOLS/WHIPSOURCE.PL (V. 1.1)

BUILD\_TOOLS/WHIPSOURCE.PL (V. 1.3)

BUILD\_TOOLS/WHIP.PL (V. 1.1)

BUILD\_TOOLS/WHIP.PL (V. 1.3);

APU/AXM/MAKEFILE (V. 1.1)

APU/AXM/MAKEFILE (V. 1.9)

BUILD\_TOOLS/TARGETS.MK (V.1.1)

BUILD\_TOOLS/TARGETS.MK (V.1.22)

BUILD\_TOOLS/MAKEFILE (V. 1.1)

BUILD\_TOOLS/MAKEFILE (V. 1.26)

BUILD\_TOOLS/DEFINES.MK (V. 1.1)

BUILD\_TOOLS/DEFINES.MK (V. 1.35)

BUILD\_TOOLS/RULES.MK (V. 1.1)

BUILD\_TOOLS/RULES.MK (V. 160.12)

MAKEGEN.PL (V. 1.1)

MAKEGEN.PL (V. 1.9)



MAKEDEP.PL (V. 1.1)

MAKEDEP.PL (V. 1.5)

\_\_\_\_ Yes \_\_\_\_ No

**Question 9.D**

If you answered “Yes” to Question 9.A, then answer the following question. If you answered “No” to Question 9.A, do not answer the following question: Do you find by a preponderance of the evidence that Cisco established that Alcatel committed Fraud on the Copyright Office in registering copyrights in the following programs?

BUILD\_TOOLS/WHIPSOURCE.PL (V. 1.1)

BUILD\_TOOLS/WHIPSOURCE.PL (V. 1.3)

BUILD\_TOOLS/WHIP.PL (V. 1.1)

BUILD\_TOOLS/WHIP.PL (V. 1.3);

APU/AXM/MAKEFILE (V. 1.1)

APU/AXM/MAKEFILE (V. 1.9)

BUILD\_TOOLS/TARGETS.MK (V.1.1)

BUILD\_TOOLS/TARGETS.MK (V.1.22)

BUILD\_TOOLS/MAKEFILE (V. 1.1)

BUILD\_TOOLS/MAKEFILE (V. 1.26)

BUILD\_TOOLS/DEFINES.MK (V. 1.1)

BUILD\_TOOLS/DEFINES.MK (V. 1.35)

BUILD\_TOOLS/RULES.MK (V. 1.1)

BUILD\_TOOLS/RULES.MK (V. 160.12)

MAKEGEN.PL (V. 1.1)

MAKEGEN.PL (V. 1.9)

MAKEDEP.PL (V. 1.1)

MAKEDEP.PL (V. 1.5)

\_\_\_\_ Yes \_\_\_\_ No

**Question 9.E**

If you answered “Yes” to Questions 9.A and 9.B and “No” to questions 9.C and 9.D, please answer the following question. If you answered “No” to Questions 9.A or 9.B or “Yes” to Questions 9.C or 9.D, then do not answer the following question: What amount of money, if any, should be assessed against Cisco and awarded to Alcatel as damages for the infringement found in response

to Question 9.B?

If you have awarded damages to Alcatel on any of the claims that you have already considered, I remind you that the damages, if any, that you award on this claim will not be added to the damages, if any, that you award on any other claim. Alcatel will recover only one compensatory damage award, if any, and it will be in an amount equal to the highest award that you give for any of Alcatel's claims.

Answer in dollars and cents:

\$ \_\_\_\_\_

## **X. PATENT INFRINGEMENT**

### **Instruction 10.1 — The Patent System**

Patents are issued by the United States Patent and Trademark Office, which is part of the U.S. government. The U.S. government is empowered by the United States Constitution to enact patent laws and issue patents to protect inventions. Inventions that are protectible by patents may be of products, compositions, or of methods for doing something or for using or making a product or composition. The United States Patent and Trademark Office employs more than a thousand technically educated examiners who examine applications for patents.

The Constitutional purpose of the patent system is to help advance science and technology. The patent system achieves this purpose by granting to the owner of a patent the right, for the term of the patent, to exclude any other person from making, using, offering for sale or selling the

invention covered by the patent anywhere in the United States, or from importing the invention from a foreign country into the United States.

A patent is granted for a set period of time, which, in this case, is 17 years from the date the Simmering patent issued. Once a patent expires, the patent owner may not exclude anyone from making use of the invention in the patent. The invention becomes part of the “public domain,” which means that anyone is free to use it.

During the term of the patent, however, if another person makes, uses, offers to sell, sells or imports something that is covered by the patent without the patent owner’s permission, that person is said to infringe the patent. The patent owner may enforce a patent against persons believed to be infringers in a lawsuit in federal court, such as in this case.

To be entitled to patent protection an invention must be new, useful, and nonobvious. As I noted, a patent gives its owner the right to exclude other people from making, using, selling or offering for sale what is covered by the patent. Everyone, however, has the right to use existing knowledge and principles. A patent cannot legally take away from people their right to use what was known or obvious from what was known before the invention was made. Thus, a patent will not be valid if it deprives people of the right to use old or known products, or products that would have been obvious. That which is already known is called the “prior art.”

#### **Instruction 10.2 — How A Patent Is Obtained**

The U.S. Patent and Trademark Office is the agency of the U.S. government that examines patent applications and issues patents. When an applicant for a patent files a patent application with

the Patent and Trademark Office, the application is assigned to a Patent Examiner. The Patent Examiner examines the application to determine whether or not the invention described in the patent application meets the requirements of the patent laws for patentable inventions.

The Patent Examiner advises the applicant of his or her findings in a paper called an “office action.” The Examiner may “reject” the claims if he or she believes they do not meet the requirements for patentable inventions. The applicant may respond to the rejection with arguments to support the claims, and may sometimes change, or amend, the claims or submit new claims. If the Examiner concludes that the legal requirements for a patent have all been satisfied, he or she “allows” the claims and the application issues as a patent.

The record of papers relating to the examination process in the Patent and Trademark Office that I just described is referred to as the prosecution history, or file history. This record, as well as the published patent itself, becomes available to the public when the patent issues.

### **Instruction 10.3 -- Description of a Patent**

A patent includes two basic parts, a written description of the invention and the patent claims. The written description, which may include drawings, is often referred to as the “specification” of the patent. A drawing is required when it is necessary to understand the subject matter sought to be patented.

It may be helpful for you to refer to the copy of the Simmering patent as I identify for you the different sections of the Simmering patent.

The cover page of the Simmering Patent provides identifying information, including the date the patent issued and patent number along the top, as well as the inventor's name, the filing date, the assignee, and a list of the references reviewed in the Patent Office.

The specification of the Simmering Patent begins with an abstract, found on the cover page. The abstract is a brief statement about the subject matter of the invention. Next, are the drawings, which appear as Figures 1 to 5 on the next 5 pages. The drawings depict various aspects or features of the invention. They are described in words later in the patent specification. The written description of the invention appears next. In this portion of the patent, each page is divided into two columns, which are numbered at the top of the page. The lines on each page are also numbered. The written description of the Simmering Patent begins at column 1, line 1, and continues to column, 13 line 13. It includes a background section, a summary of the invention, and a detailed description of the invention, including some specific examples.

The specification must conclude with one or more one or more numbered paragraphs called claims. In the Simmering patent, the claims begin at column 13, line 14 and continue to the end of the patent, at column 14, line 41. Claims are the numbered paragraphs which define in words the inventor's rights by marking the limits or boundaries of the invention claimed to have been invented. [The claims of the patent must define the particular thing claimed to be invented with sufficient precision so that the public will know what the thing is and be able to avoid infringing the patent.]<sup>91</sup>

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<sup>91</sup>We believe that definiteness is no longer an issue in this case as it has not been addressed by any of Cisco's experts, and is the subject of an in limine motion. Additionally, definiteness is a legal issue and not appropriate for the jury to consider. But, in the event that the Court determines that definiteness is an issue in the case, we have included the instructions contained in the above brackets.

The claims define the exact limits or nature of the invention, and it is only the claims of the patent that can be infringed. Claims are usually divided into parts, called “limitations.”

For example, a claim that covers the invention of a table may recite the tabletop, four legs and the glue that secures the legs to the tabletop. The tabletop, legs and glue are each separate limitations of the claim. Each of the claims must be considered individually. You may find infringement when only one claim of a patent is infringed. The scope of the patent claims is a question of law.

**Instruction 10.4 -- Contentions of the Parties:**

In this case, Alcatel contends that Cisco infringed Claim 1 and Claim 2 of the Simmering Patent. Alcatel contends that Cisco directly infringed the claims. Alcatel also contends that Cisco’s infringement was willful.

Cisco contends that it did not infringe Claim 1 or Claim 2 of the Simmering Patent. First, Cisco contends that the accused device — the Wavelength Router — did not directly infringe the claims of the Simmering Patent. Cisco contends that it did not willfully infringe the claims of the Simmering Patent.

Cisco also contends that the Simmering Patent is invalid for several reasons.

**Instruction 10.5 -- Claim Construction**

To decide the questions of infringement and validity, you must first understand what the claims of the patent cover, that is, what they prevent anyone else from doing. You must use the same

claim meaning for both your decision on infringement and validity.

In this case, Alcatel and Cisco agree about the meaning of parts of the claims. Alcatel and Cisco do not agree about the meaning of other parts of the claims. It is my duty to interpret these contested words and groups of words for you.

I will now tell you the meanings of the following words and groups of words from the patent claims. You must use these meanings in your deliberations concerning both infringement and invalidity.

The beginning, or preamble, portion of claim 1 of the Simmering Patent uses the word “comprising.” “Comprising” means "including the following but not excluding others." Comprising claims are open-ended. A claim that uses the word “comprising” or “comprises” is not limited to products having only the elements that are recited in the claim, but also covers products that add additional elements. If you find that Cisco's Wavelength Router included all of the elements in any one of claims 1 or 2, the fact that the Wavelength Router might include additional components would not avoid literal infringement of such claims.

Let's take our example of the claim that covers a table. If the claim recites a table “comprising” a tabletop, legs and glue, the claim will cover any table that contains these structures, even if the table also contains other structures, such as a leaf or wheels on the legs.

[Court to supply meaning of disputed terms]

## **AUTHORITIES**



*Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 384-391 (1996); *AFG Indus., Inc. v. Cardinal IG Co., Inc.*, 239 F.3d 1239, 1244-45 (Fed. Cir. 2001); *Hill-Rom Co. v. Kinetic Concepts, Inc.*, 209 F.3d 1337, 1340-41 (Fed. Cir. 2000); *Pitney Bowes, Inc. v. Hewlett-Packard Co.*, 182 F.3d 1298, 1304-06 (Fed. Cir. 1999); *Johnson Worldwide Ass'n, Inc. v. Zebco Corp.*, 175 F.3d 985, 988-90 (Fed. Cir. 1999); *Cybor Corp. v. FAS Techs., Inc.*, 138 F.3d 1448, 1455-56 (Fed. Cir. 1998); *Vitronics Corp. v. Conceptronic, Inc.*, 90 F.3d 1576, 1581-84 (Fed. Cir. 1996); *Markman v. Westview Instruments*, 52 F.3d 967, 977 (Fed. Cir. 1995) (*en banc*); *Vehicular Techs. Corp. v. Tital Wheel Int'l, Inc.*, 212 F.3d 1377, 1382-83 (Fed. Cir. 2000); *Vivid Techs., Inc. v. Am. Science & Eng'g, Inc.*, 200 F.3d 795, 811-12 (Fed. Cir. 1999); *Georgia-Pacific Corp. v. United States Gypsum Co.*, 195 F.3d 1322, 1327-29 (Fed. Cir. 1999); *Elkay Mfg. Co. v. Ebco Mfg. Co.*, 192 F.3d 973, 977 (Fed. Cir. 1999); *Spectrum Int'l, Inc. v. Sterilite Corp.*, 164 F.3d 1372, 1379-80 (Fed. Cir. 1998); *Phillips Petroleum Co. v. Huntsman Polymers Corp.*, 157 F.3d 866, 874 (Fed. Cir. 1998); *Stiftung v. Renishaw PLC*, 945 F.2d 1173, 1177-79 (Fed. Cir. 1991).

#### **Instruction 10.6 -- Infringement Generally**

I will now instruct you as to the rules you are to follow in arriving at your decisions as to whether Cisco has infringed any of the claims of Alcatel's Simmering Patent.

The patent law gives the owner of a valid patent the right to exclude others from making, using, offering for sale, or selling the patented invention during the term of the patent. The patent law provides that any person or business that, without the patent owner's permission, makes, uses, offers for sale, or sells within the United States any product that is covered by at least one of the patent claims before the patent expires, infringes the patent. This type of infringement is called

“direct infringement.”

In this case, Alcatel alleges that Cisco directly infringed Claims 1 and 2 of the Simmering patent. Cisco would be liable for directly infringing the Simmering Patent if you find that Alcatel has proven by a preponderance of the evidence that Cisco has made, used, offered for sale, imported, or sold the invention defined in at least one claim of the Simmering Patent.

In reaching your decision on infringement, keep in mind that only the claims of a patent can be infringed. You must compare each of the patent claims, as I have defined them, to the accused product, and determine whether or not there is infringement. You should not compare Cisco’s product with any specific example set out in the Simmering Patent, or with any Alcatel product. The only correct comparison is with the language of the claim itself, as I have explained its meaning to you.

You must consider each claim individually and must reach your decision as to each assertion of infringement based on my instructions about the meaning and scope of the claims, the legal requirements for infringement, and the evidence presented to you by the parties.

### **AUTHORITIES**

35 U.S.C. §§ 271-281; *Payless Shoesource, Inc. v. Reebok Int’l Ltd.*, 998 F.2d 985, 990 (Fed. Cir. 1993); *Atlantic Thermoplastics Co. v. Faytex Corp.*, 974 F.2d 1299, 1300 (Fed. Cir. 1992); *Loctite Corp. v. Ultraseal Ltd.*, 781 F.2d 861, 867 (Fed. Cir. 1985).

### **Instruction 10.7 -- Direct Infringement - Knowledge Of Patent Or Intent To Infringe**

## **Is Immaterial**

Whether or not Cisco knew that what it was doing was an infringement does not matter. A person may be found to be a direct infringer of a patent even if he or she believes in good faith that what he or she is doing is not an infringement of any patent and even if he or she does not even know of the patent.

## **AUTHORITIES**

35 U.S.C. § 271(a); *Warner-Jenkinson Co., Inc. v. Hilton Davis Chemical Co.*, 520 U.S. 17, 36 (1997); *Florida Prepaid Post-Secondary Educ. Expense Bd. v. College Sav. Bank*, 527 U.S. 627, 644 (1999); *DeMarini Sports, Inc. v. Worth, Inc.*, 239 F.3d 1314, 1330 (Fed. Cir. 2001); *Intel Corp. v. United States Int'l Trade Comm'n*, 946 F.2d 821, 832 (Fed. Cir. 1991).

## **Instruction 10.8 -- Literal Infringement and Infringement Under The Doctrine Of Equivalents**

A party can infringe a patent in two ways. First, a party can infringe the patent literally by literal infringement. Second, a party can infringe the patent under the doctrine of equivalents.

### **Instruction 10.8.1 -- Literal Infringement**

I will now instruct you on the law governing literal infringement. To determine literal infringement, you must compare the accused product with each claim that Alcatel asserts is infringed, using my instructions as to the meaning of each of the claims. Alcatel must show literal infringement by a preponderance of the evidence.

Cisco's Wavelength Router literally infringes a claim of the Simmering Patent if it includes every limitation of that claim. If Cisco's Wavelength Router does not contain one or more elements recited in a claim, then you must find that Cisco has not infringed that claim.

In making your determination, you must consider each of the two patent claims separately. Not all claims of a patent must be infringed before a patent is infringed. It is possible to infringe a patent by infringing one of its claims but not the other.

If you have concluded by a preponderance of the evidence that a claim is literally infringed, then you should find infringement of that claim and you need not consider the issue of infringement of that claim any further.

If you have concluded that Alcatel has failed to show by a preponderance of the evidence that a particular claim of the Simmering Patent is literally infringed, then you should consider whether Cisco has infringed that claim under the doctrine of equivalents.

#### **Instruction 10.8.2 -- Infringement Under The Doctrine Of Equivalents**

You may find that Cisco's Wavelength Router infringes a claim of the Simmering Patent, even if not every element of that claim was present in the Wavelength Router. A claim limitation may be present in an accused product in one of two ways, either literally or under what is known as the doctrine of equivalents. A claim limitation is literally present if it exists in the accused product just as it is described in the claim language, either as I have explained that language to you or, if I did not explain it, as you understand it.

A claim limitation is present in an accused product under the doctrine of equivalents if the differences between them are insubstantial. One way to determine this is to look at whether or not the accused product performs substantially the same function, in substantially the same way, to achieve substantially the same result as the claimed invention. Another way is to consider whether or not people of ordinary skill in the art believe that the structure of the accused product and the structure recited in the patent claim limitation are interchangeable.

Equivalents is determined at the time of the activities accused of infringement, and not by what was known at the time the patent application was filed or when the patent issued. Thus, the inventor need not have foreseen, and the patent need not describe, all potential equivalents to the invention covered by the claims. Also, slight changes in technique or improvements made possible by technology developed after the patent application is filed may still be equivalent for doctrine of equivalents purposes.

## **AUTHORITIES**

*Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., Ltd.*, 122 S. Ct. 1831, 1841-43 (2002); *Warner-Jenkinson Co. v. Hilton Davis Chem. Co.*, 520 U.S. 17, 37 (1997); *Graver Tank & Mfg. Co. v. Linde Air Prods. Co.*, 339 U.S. 605, 609 (1950); *Biovail Corp. Int'l v. Andrx Pharms., Inc.*, 239 F.3d 1297, 1302-03 (Fed. Cir. 2001); *Bayer AG v. Elan Pharm.,<sup>44</sup> Research Corp.*, 212 F.3d 1241, 1247-50 (Fed. Cir. 2000); *Pennwalt Corp. v. Durand-Wayland, Inc.*, 833 F.2d 931, 934 (Fed. Cir. 1987) (*en banc*).

## **Instruction 10.9 -- Limitations On The Doctrine Of Equivalents: Amendment Of Patent**

### **Claims**

The patent law places certain limits on the doctrine of equivalents. It is my duty and responsibility to decide whether or not any of these limitations applies in this case and to instruct you on my decision.

One limit on the doctrine of equivalents is known as prosecution history estoppel. As I have explained, the prosecution history of a patent is the record of everything that happened in the Patent Office. The doctrine of prosecution history estoppel prevents a patent owner from covering under the doctrine of equivalents products that he or she gave up in order to obtain his or her patent. Any action of the patent owner taken during prosecution, including claim amendments and arguments, may result in a prosecution history estoppel.

If Alcatel narrowed a claim limitation during prosecution of the Simmering Patent, it has the burden to show that it did not surrender a particular equivalent in question. A patent applicant's decision to narrow his patent claims during prosecution may be presumed to be a general surrender of territory between the original claim and amended claim. Alcatel may rebut that presumption by showing that at the time of the amendment one skilled in the art could not reasonably have been expected to have drafted a claim that literally encompassed the equivalent.

### **AUTHORITIES**

*Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki*, 122 S. Ct. 1831, 1841-43 (2002); *Forest Labs. v. Abbott Labs.*, 239 F.3d 1305, 1314 (Fed. Cir. 2001); *Biovail Corp. v. Andrx Pharms., Inc.*,

239 F.3d 1297, 1301-02 (Fed. Cir. 2001); *Litton Sys., Inc. v. Honeywell Inc.*, 238 F.3d 1376, 1380 (Fed. Cir. 2001); *Johnson & Johnston Associates, Inc. v. R.E. Service Co.*, 238 F.3d 1347 (Fed. Cir. 2001); *Pioneer Magnetics, Inc. v. Micro Linear Corp.*, 238 F.3d 1341, 1344 (Fed. Cir. 2001); *Moore U.S.A., Inc. v. Standard Register Co.*, 229 F.3d 1091, 1106 (Fed. Cir. 2000); *Vehicular Technologies Corp. v. Tital Wheel International, Inc.*, 212 F.3d 1377, 1381-83 (Fed. Cir. 2000); *Bayer AG v. C Elan Pharmaceutical Research Corp.*, 212 F.3d 1241, 1251-54 (Fed. Cir. 2000); *K-2 Corp. v. Salomon S.A.*, 191 F.3d 1356, 1366-68 (Fed. Cir. 1999); *Tronzo v. Biomet, Inc.*, 156 F.3d 1154, 1160 (Fed. Cir. 1998); *YBM Magnex, Inc. v. Int'l Trade Comm'n*, 145 F.3d 1317, 1320-22 (Fed. Cir. 1998); *Gentry Gallery, Inc. v. Berkline Corp.*, 134 F.3d 1473, 1477 (Fed. Cir. 1998); *Sage Products, Inc. v. Devon Industries, Inc.*, 126 F.3d 1420, 1423 (Fed. Cir. 1997); *Ekchian v. Home Depot, Inc.*, 104 F.3d 1299, 1303-04 (Fed. Cir. 1997); *Cole v. Kimberly-Clark Corp.*, 102 F.3d 524, 532 (Fed. Cir. 1996); *Applied Materials, Inc. v. Advanced Semiconductor Materials America, Inc.*, 98 F.3d 1563, 1573-74 (Fed. Cir. 1996); *Maxwell v. J. Baker, Inc.*, 86 F.3d 1098, 1106-08 (Fed. Cir. 1996); *Unique Concepts, Inc. v. Brown*, 939 F.2d 1558, 1563-64 (Fed. Cir. 1991).

**Question 10.A**

Do you find by a preponderance of the evidence that Cisco's Wavelength Router literally infringed the Simmering Patent?

\_\_\_\_\_ Yes

\_\_\_\_\_ No

**Question 10.B**

If you answered “No” to Question 10.A, then answer the following question. If you answered “Yes” to Question 10.A, do not answer the following question: Do you find by a preponderance of the evidence that Cisco’s Wavelength Router infringed the Simmering patent under the Doctrine of Equivalents?

\_\_\_\_\_ **Yes**

\_\_\_\_\_ **No**

**Instruction 10.10 — Validity**

Only a valid patent may be infringed. For a patent to be valid, the invention claimed in a patent must be new, useful and nonobvious. A patent cannot take away from people their right to use what was known or would have been obvious when the invention was made. The terms “new”, “useful” and “nonobvious” have special meanings under the patent laws. I will explain these terms to you as we discuss defendants’ grounds for invalidity.

[The invention claimed in a patent must also be adequately described. In return for the right to exclude others from making, using, selling or offering for sale the claimed invention, the patent owner must provide the public with a complete description in the patent of the invention and how to make and use it.]<sup>92</sup>

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<sup>92</sup> We believe that the sufficiency of the written description is no longer an issue in this case as it has not been addressed by any of Cisco’s experts, and is the subject of an in limine motion. But, in the event that the Court determines that the sufficiency of the written description is an issue in the case, we have included the instructions contained in the above brackets.



Cisco has challenged the validity of the Simmering patent claims on a number of grounds. A patent that the United States Patent Office issues is presumed to be valid. In order to rebut this presumption, Cisco has the burden to prove by clear and convincing evidence that the Simmering Patent is not valid.

**[Instruction 10.11 -- Written Description]**

A patent must contain a written description of the invention claimed in the patent. In order to satisfy the written description requirement the patent must describe each and every limitation of a patent claim, although the exact words found in the claim need not be used.

If you find that Cisco has proved by clear and convincing evidence that the Simmering patent does not contain a written description of the invention covered by a claim of the Simmering Patent, then you must find that the claim is invalid.

**AUTHORITIES**

*Purdue Pharma L.P. v. Faulding, Inc.*, 230 F.3d 1320, 1323 (Fed. Cir. 2000); *Lampi Corp. v. Am. Power Prods., Inc.*, 228 F.3d 1365, 1377-78 (Fed. Cir. 2000); *Reiffin v. Microsoft Corp.*, 214 F.3d 1342, 1345-46 (Fed. Cir. 2000); *Union Oil Co. of Ca. v. Atl. Richfield Co.*, 208 F.3d 989, 996-1001 (Fed. Cir. 2000); *Sun Tiger Inc. v. Scientific Research Funding Group*, 189 F.3d 1327, 1334 (Fed. Cir. 1999); *Tronzo v. Biomet Inc.*, 156 F.3d 1154, 1158-60 (Fed. Cir. 1998); *Gentry Gallery, Inc. v. Berkline Corp.*, 134 F.3d 1473, 1478-80 (Fed. Cir. 1998); *Lockwood v. Am. Airlines, Inc.*, 107 F.3d 1565, 1572 (Fed. Cir. 1997).]

**[Instruction 10.12 -- Enablement]**

The written description of the invention claimed in a patent must contain enough detail to teach, or enable, persons skilled in the art to make and use the invention. This is referred to as the enablement requirement. If the patent does not enable a skilled person to practice the claimed invention then the claim is invalid.

In considering whether or not the written description of a patent meets the enablement requirement, you must keep in mind that patents are written for persons of skill in the field of the invention. Thus, a patent need not expressly state information that persons skilled in the art would be likely to know or could obtain.

The fact that some experimentation may be required for a skilled person to practice the claimed invention does not mean that a patent's written description does not meet the enablement requirement. A written description is enabling so long as undue experimentation is not needed. A permissible amount of experimentation is that amount that is appropriate for the complexity of the field of the invention and for the level of expertise and knowledge of persons skilled in that field.

If you find that Cisco has proved by clear and convincing evidence that the written description in the Simmering patent does not enable a skilled person to make and use a product covered by a claim of the Simmering Patent without undue experimentation, then you must find that the claim is invalid.

**AUTHORITIES**

*Union Pac. Resources Co. v. Chesapeake Energy Corp.*, 236 F.3d 684, 690-92 (Fed. Cir. 2001); *Ajinomoto Co. v. Archer-Daniels-Midland Co.*, 228 F.3d 1338, 1345-46 (Fed. Cir.2000); *Enzo Biochem, Inc. v. Calgene, Inc.*, 188 F.3d 1362, 1369-78 (Fed. Cir. 1999); *Nat’l Recovery Techs., Inc. v. Magnetic Separation Sys., Inc.*, 166 F.3d 1190, 1195-98 (Fed. Cir. 1999).]<sup>93</sup>

#### **[Instruction 10.13 – Best Model]**

The patent laws require that if the inventor knew of a best way, or “mode” of making and using the claimed invention at the time the application for the patent was filed, then the patent specification must contain a description of that mode. This is called the “best mode” requirement.

The purpose of the best mode requirement is to ensure that the public obtains a full disclosure of how to carry out the invention claimed in the patent. It prevents an inventor from obtaining a patent, while at the same time not disclosing to the public his or her preferred way of practicing the claimed invention. The inventor must disclose the best mode he or she knew of for practicing the invention as it is described in the patent claims.

Determining whether or not an inventor disclosed his best mode involves answering two questions. The first question relates to what the inventor knew at the time the application for the patent was filed. In this case, that date is March 2, 1992. The first question is: At the time the application was filed, did the inventor know of a way, or mode, of practicing the invention claimed

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<sup>93</sup> Alcatel believes that enablement is no longer an issue in this case as it has not been addressed by any of Cisco’s experts, and is the subject of an in limine motion. But, in the event that the Court determines that enablement is an issue in the case, we have included the instructions contained in the above brackets.

in the patent that the inventor considered to be better than any other way? This first question is subjective; that is, it involves what the inventor thought or believed.

If you find that the answer to the first question is no, that is, the inventor did not know of a best mode of practicing his or her invention at the time the application was filed, you should stop there. The patent cannot be invalid for failure to disclose the best mode if the inventor did not know of a best mode when the application was filed.

If you find that the inventor did have a best mode of practicing the invention at the time the application was filed, then you must consider the second question, which is: Does the patent contain a description of the inventor's best mode that is sufficient to enable a person skilled in the art to practice the best mode? This question is objective. It depends, not on what the inventor thought or understood, but rather what a skilled person reading the patent would understand.

A patent describes the best mode if it contains enough information that a skilled person reading the patent would be able to practice the best mode without undue experimentation. That means that a skilled person reading the patent would be able to make and use the best mode of the invention using only an amount of experimentation that is appropriate for the complexity of the field of the invention and for the level of expertise and knowledge of persons skilled in that field.

If you find that Cisco has proved by clear and convincing evidence that (1) the inventor on the Simmering Patent had a best mode of practicing the invention claimed in claims 1 and 2 of the Simmering Patent at the time the application was filed, and (2) the Simmering Patent does not contain a written description that would enable a skilled person to practice that best mode without

undue experimentation, then you must find that these claims are invalid.

## **AUTHORITIES**

*Mentor H/S, Inc. v. Med. Device Alliance, Inc.*, No. 99-1532, 00-1165, 2001 U.S. App. Lexis 6033 (Fed. Cir. 2001); *Eli Lilly & Co. v. Barr Labs., Inc.*, 222 F.3d 973, 980-84 (Fed. Cir. 2000); *N. Telecom Ltd. v. Samsung Elects. Co.*, 215 F.3d 1281, 1285-89 (Fed. Cir. 2000); *United States Gypsum Co. v. Nat'l Gypsum Co.*, 74 F.3d 1209, 1212 (Fed. Cir. 1996); *Glaxo Inc. v. Novopharm Ltd.*, 52 F.3d 1043, 1049-52 (Fed. Cir. 1995).]<sup>94</sup>

### **[Instruction 10.14 – Definiteness]**

The patent laws have requirements for the way in which patent claims are written. Patent claims must be sufficiently clear that a person of ordinary skill in the art reading them is able to determine what the claims cover and what they do not cover. If a patent claim does not meet this requirement, then the claim is said to be indefinite, and the claim is invalid.

The amount of detail required for a claim to be definite depends on the particular invention, the prior art, and the description of the invention contained in the patent. A patent claim, when read along with the rest of the patent, must reasonably inform those skilled in the art of what the patent claims cover. Simply because claim language may not be precise does not automatically mean that the claim is indefinite. The claim language need only be as precise as the subject matter permits.

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<sup>94</sup>We believe that best mode is no longer an issue in this case as it has not been addressed by any of Cisco's experts, and is the subject of an in limine motion. But, in the event that the Court determines that best mode is an issue in the case, we have included the instructions contained in the above brackets.

If you find that Cisco has proved by clear and convincing evidence that claims 1 and 2 of the Simmering patent are indefinite because a person of ordinary skill in the art would not understand what is and what is not covered by the claims, then you must find that those claims are invalid.

## **AUTHORITIES**

*Union Pac. Resources Co. v. Chesapeake Energy Corp.*, 236 F.3d 684, 692 (Fed. Cir. 2001); *Solomon v. Kimberly-Clark Corp.*, 216 F.3d 1372, 1378-80 (Fed. Cir. 2000); *Atmel Corp. v. Info. Storage Devices, Inc.*, 198 F.3d 1374, 1378-82 (Fed. Cir. 1999); *Personalized Media Communications, L.L.C. v. Int'l Trade Comm'n*, 161 F.3d 696, 700 (n.5), 705 (Fed. Cir. 1998); *In re Dossel*, 115 F.3d 942 (Fed. Cir. 1997); *In re Donaldson Co.*, 16 F.3d 1189 (Fed. Cir. 1994); *N. Am. Vaccine, Inc. v. Am. Cynamid Co.*, 7 F.3d 1571, 1579-80 (Fed. Cir. 1993).]<sup>95</sup>

### **Instruction 10.15 -- Prior Art**

Some of these instructions will refer to “prior art.” Under the patent laws, a person is entitled to a patent only if the invention claimed in the patent is new and unobvious in light of what came before. In considering prior art, you should consider only prior art that is relevant to the particular problem the inventor faced. Prior art includes: 1) anything that was publicly known or used in the United States by someone other than the inventor before the date of invention; 2) anything that was in public use or on sale in the United States more than one year before the application for the patent

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<sup>95</sup> We believe that definiteness is no longer an issue in this case as it has not been addressed by any of Cisco’s experts, and is the subject of an in limine motion. Additionally, definiteness is a legal issue and not appropriate for the jury to consider. But, in the event that the Court determines that definiteness is an issue in the case, we have included the instructions contained in the above brackets.

was filed; 3) anything that was patented or described in a printed publication anywhere in the world before the date of invention, or more than one year before the application for the patent was filed; 4) anything that was invented by another person in this country before the date of invention, if the other person did not abandon, suppress or conceal his or her prior invention; and 5) anything that was described in a patent that issued from a patent application filed before the inventor made the invention.

**Instruction 10.15.1 -- Prior Art - Sold or Offered For Sale More Than One Year Before the Application Was Filed**

The sale or offer for sale in the United States of a product may be prior art to a patent claim covering the product or a method of making the product if the product was sold or offered for sale more than one year before the application for the patent was filed. In this case, that date is March 2, 1991. The date of invention for the patent claims is irrelevant to this category of prior art. If the sale or offer for sale of a product is more than one year before the patent application was filed, then the product or method of making it may be prior art, regardless of the date of invention.

If the sale or offer for sale was of a patented product, then it may be prior art regardless of who made the offer.

If the sale or offer for sale of a product made by a patented process was by someone other than the inventor, the patent owner, or a representative of the inventor or patent owner, then the sale or offer for sale of the product may make the process prior art only if the process was public. Secret use of a process by another person is not prior art, even if the product made by the process is sold.

In order for there to be an offer for sale, two requirements must be met. First, the product must have been the subject of a commercial offer for sale. Second, the product must be “ready for patenting.”

A commercial offer for sale occurs only if the offer is one that could bind the parties upon the acceptance of the person or company to whom the offer is made. If the offer cannot be accepted, then the offer is insufficient to create an on-sale bar. Communications designed to generate commercial interest in a product that contains a patented invention do not constitute an offer because they do not indicate an intent or opportunity to be bound.

To determine if the offer is sufficiently definite to constitute a legally binding offer, one must examine the language of the proposal in accordance with the principles of general contract law.

An invention is ready for patenting if the product offered for sale has been developed to the point where there was reason to expect that it would work for its intended purpose. The product may be ready for patenting even if it is not ready for commercial production, or has not been technically perfected.

## **AUTHORITIES**

*Pfaff v. Wells Elecs., Inc.*, 525 U.S. 55 (1998); *Netscape Communications Corp. v. Konrad*, Docket No. 01-1455 (Fed. Cir. July 9, 2002); *Group One Ltd. v. Hallmark Cards, Inc.*, 254 F.3d 1041, 1047 (Fed. Cir. 2001); *Linear Tech. Corp. v. Micrel, Inc.*, 275 F.3d 1040, 1050 (Fed. Cir. 2001); *Monon Corp. v. Stoughton Trailers, Inc.*, 239 F.3d 1253, 1257-61 (Fed. Cir. 2001); *Vanmoor v. Wal-Mart Stores, Inc.*, 201 F.3d 1363, 1366 (Fed. Cir. 2000); *STX, LLC v. Brine, Inc.*, 211 F.3d



588, 590 (Fed. Cir. 2000); *Zacharin v. United States*, 213 F.3d 1366, 1370 (Fed. Cir. 2000); *Brasseler, U.S.A.I, L.P. v. Stryker Sales Corp.*, 182 F.3d 888, 889 (Fed. Cir. 1999); *Con'l Plastic Containers v. Owens Brockway Plastic Prods., Inc.*, 141 F.3d 1073, 1077 (Fed. Cir. 1998); *D.L. Auld Co. v. Chroma Graphics Corp.*, 714 F.2d 1144, 1147 (Fed. Cir. 1983); *W.L. Gore & Assocs., Inc. v. Garlock, Inc.*, 721 F.2d 1540, 1548-50 (Fed. Cir. 1983); Restatement (Second) of Contracts § 26 (1981).

#### **Instruction 10.15.2 -- Prior Art -- Prior Printed Publication**

Printed publications from anywhere in the world are prior art if the printed publications were published either before the inventor made the claimed invention, or more than one year before the application for the patent was filed.

The date that a printed publication becomes prior art is the date that it becomes available to the public. Published patent applications are printed publications as of their publication dates. If a printed publication was published more than one year before the application for the patent was filed, then that publication will be prior art, regardless of the date of invention for the patent claims. The date of invention is irrelevant to this category of prior art.

#### **AUTHORITIES**

*Mahurkar v. C.R. Bard, Inc.*, 79 F.3d 1572, 1576 (Fed. Cir. 1996); *N. Telecom, Inc. v. Datapoint Corp.*, 908 F.2d 931, 936-37 (Fed. Cir. 1990); *In re Cronyn*, 890 F.2d 1158, 1159-61 (Fed. Cir. 1989); *Constant v. Advanced Micro-Devices, Inc.*, 848 F.2d 1560, 1568-69 (Fed. Cir. 1988); *In re Hall*, 781 F.2d 897, 899 (Fed. Cir. 1986); *Mass. Inst. of Tech. v. AB Fortia*, 774 F.2d

1104, 1108-09 (Fed. Cir. 1985); *In re Wyer*, 655 F.2d 221, 225 (C.C.P.A. 1981).

**Instruction 10.16 -- Anticipation/Lack of Novelty**

A person cannot obtain a patent on an invention if someone else has already made the same invention. In other words, the invention must be new. If it is not new, we say that it was “anticipated” by the prior art. An invention that is “anticipated” by the prior art is not entitled to patent protection. A party challenging the validity of a patent must prove anticipation by clear and convincing evidence.

In order for a patent claim to be anticipated by the prior art, each and every limitation of the claim must be present within a single item of prior art in the same way it is claimed. You may not combine two or more items of prior art in order to create an anticipation.

A printed publication or patent will not be an anticipation unless it contains a description of the invention covered by the patent claims that is sufficiently detailed that it teaches a skilled person how to make and use the invention without undue experimentation. That means that a skilled person reading the printed publication or patent would be able to make and use the invention using only an amount of experimentation that is appropriate for the complexity of the field of the invention and for the level of expertise and knowledge of persons skilled in that field.

**AUTHORITIES**

*Ecolchem, Inc. v. S. Cal. Edison Co.*, 227 F.3d 1361, 1367-70 (Fed. Cir. 2000); *Atlas Powder Co. v. IRECO Inc.*, 190 F.3d 1342, 1346 (Fed. Cir. 1999); *Abbot Labs. v. Geneva Pharms.*,

*Inc.*, 182 F.3d 1315, 1318 (Fed. Cir. 1999); *Finnegan Corp. v. Int'l Trade Comm'n*, 180 F.3d 1354, 1364 (Fed. Cir. 1999); *C.R. Bard, Inc. v. M3 Sys., Inc.*, 157 F.3d 1340, 1349 (Fed. Cir. 1998); *W.L. Gore & Assocs., Inc. v. Garlock, Inc.*, 721 F.2d 1540, 1548 (Fed. Cir. 1983).

**Instruction 10.17 -- Obviousness**

Cisco also contends that the claims of the Simmering Patent are invalid because the claimed invention would have been obvious to one of ordinary skill in the art at the time the invention was made.

Unlike anticipation, obviousness may be shown by considering more than one item of prior art. The test of obviousness that you are to apply is to determine if it would it have been obvious for a skilled person having ordinary skill in the prior art to make the claimed invention? If the answer to that question is yes, then the particular claim is invalid. Each claim must be proven invalid independently of any other claim. Cisco has the burden of proving by clear and convincing evidence that claims 1 and 2 of the Simmering Patent are invalid for obviousness.

Obviousness is determined from the perspective of a person of ordinary skill in the field to which the patent relates. The issue is not whether the claimed invention would have been obvious to you, to me as a judge, or to a genius in the art. Rather, the question is whether or not the invention would have been obvious to a person of ordinary skill in the art.

You must also keep in mind that the test for obviousness is not whether or not it would have been obvious to try to make the invention, but rather whether or not the invention would have been obvious to a person of ordinary skill in the inventor's field at the time the invention was made.

In determining whether or not these claims would have been obvious, you should make the following determinations:

First, what is the scope and content of the prior art?

Second, what differences, if any, are there between the invention of the claims of the patent and the prior art?

Third, what was the level of ordinary skill in the art at the time the invention was made?

Fourth, are there any objective indications of non-obviousness?

Against this background, you must decide whether or not the invention covered by the Simmering Patent claims would have been obvious.

I will now describe these specific determinations you must make in deciding whether or not the claimed invention would have been obvious.

## **AUTHORITIES**

*Graham v. John Deere Co.*, 383 U.S. 1, 27-28 (1966); *Ruiz v. A.B. Chance Co.*, 234 F.3d 654, 662-68 (Fed. Cir. 2000); *Yamanouchi Pharm. Co. v. Danbury Pharmacal, Inc.*, 231 F.3d 1339, 1343-45 (Fed. Cir. 2000); *Brown & Williamson Tobacco Corp. v. Philip Morris Inc.*, 229 F.3d 1120, 1124-31 (Fed. Cir. 2000); *Ecolochem, Inc. v. S. Cal. Edison Co.*, 227 F.3d 1361, 1371-81 (Fed. Cir. 2000); *In re Kotzab*, 217 F.3d 1365, 1369 (Fed. Cir. 2000); *In re Dembiczak*, 175 F.3d 994, 998-1000 (Fed. Cir. 1999); *ADT v. Lydall, Inc.*, 159 F.3d 534, 546 (Fed. Cir. 1998); *In re Rouffet*,

149 F.3d 1350, 1355-56 (Fed. Cir. 1998); *In re Deuel*, 51 F.3d 1552, 1557-60 (Fed. Cir. 1995); *Orthokinetics, Inc. v. Safety Travel Chairs, Inc.*, 806 F.2d 1565, 1574-75 (Fed. Cir. 1986).

#### **Instruction 10.17.1 — Hindsight**

In deciding obviousness, you must avoid using hindsight; that is, you should not consider what is known today or what was learned from the teachings of the patent. You should not use the patent as a road map for selecting and combining items of prior art. You must put yourself in the place of a person of ordinary skill at the time the invention was made.

To prevent using an improper hindsight analysis, the patent law requires that there be a motivation in the prior art that would suggest combining multiple prior art references, or modifying a prior art reference to produce the invention as claimed in the Simmering Patent. It is improper to pick and choose features from the prior art so as to achieve the invention of the Simmering Patent. Inventions are often new combinations of prior art elements, so it is not enough simply to identify an element in the prior art. There must be a clear and particular motivation to modify the prior art to achieve the claimed invention.

#### **AUTHORITIES**

*Graham v. John Deere Co.*, 383 U.S. 1, 27-28 (1966); *Ruiz v. A.B. Chance Co.*, 234 F.3d 654, 662-68 (Fed. Cir. 2000); *Yamanouchi Pharm. Co. v. Danbury Pharmacal, Inc.*, 231 F.3d 1339, 1343-45 (Fed. Cir. 2000); *Brown & Williamson Tobacco Corp. v. Philip Morris Inc.*, 229 F.3d 1120, 1124-31 (Fed. Cir. 2000); *Ecolochem, Inc. v. S. Cal. Edison Co.*, 227 F.3d 1361, 1371-81 (Fed. Cir. 2000); *In re Kotzab*, 217 F.3d 1365, 1369 (Fed. Cir. 2000); *In re Dembiczak*, 175 F.3d 994,

998-1000 (Fed. Cir. 1999); *ADT v. Lydall, Inc.*, 159 F.3d 534, 546 (Fed. Cir. 1998); *In re Rouffet*, 149 F.3d 1350, 1355-56 (Fed. Cir. 1998); *In re Deuel*, 51 F.3d 1552, 1557-60 (Fed. Cir. 1995); *Orthokinetics, Inc. v. Safety Travel Chairs, Inc.*, 806 F.2d 1565, 1574-75 (Fed. Cir. 1986).

### **Instruction 10.17.2 — The Scope and Content of the Prior Art**

Determining the scope and content of the prior art means that you should determine what is disclosed in the prior art relied on by Cisco. You must decide whether this prior art was reasonably relevant to the particular problem the inventor faced in making the invention covered by the patent claims. Such relevant prior art includes prior art in the field of the invention, and also prior art from other fields that a person of ordinary skill would look to when attempting to solve the problem.

### **AUTHORITIES**

*Graham v. John Deere Co.*, 383 U.S. 1, 27-28 (1966); *Ruiz v. A.B. Chance Co.*, 234 F.3d 654, 664-65 (Fed. Cir. 2000); *In re Kotzab*, 217 F.3d 1365, 1369 (Fed. Cir. 2000); *SIBIA Neurosciences, Inc. v. Cadus Pharm. Corp.*, 225 F.3d 1349, 1356-57 (Fed. Cir. 2000); *In re Dembiczak*, 175 F.3d 994, 999-1000 (Fed. Cir. 1999); *In re Rouffet*, 149 F.3d 1350, 1355-56 (Fed. Cir. 1998); *Monarch Knitting Mach. Corp. v. Sulzer Morat GmbH*, 139 F.3d 877, 881-83 (Fed. Cir. 1998); *Wang Lab. v. Toshiba Corp.*, 993 F.2d 858, 863 (Fed. Cir. 1993); *Ryko Mfg. Co. v. Nu-Star, Inc.*, 950 F.2d 714, 716-17 (Fed. Cir. 1991).

### **Instruction 10.17.3 -- Differences Between The Invention of The Claims and the Prior Art**

In determining the differences between the invention covered by the patent claims and the prior art, you should not look at the individual differences in isolation. You must consider the claimed invention as a whole, and determine whether or not it would have been obvious in light of all of the prior art.

In deciding whether to combine what is described in various items of prior art, you should keep in mind that there must be some motivation or suggestion for a skilled person to make the combination covered by the patent claims. You should also consider whether or not the prior art teaches away from the invention covered by the patent claims.

## **AUTHORITIES**

*Graham v. John Deere Co.*, 383 U.S. 1, 27-28 (1966); *Ruiz v. A.B. Chance Co.*, 234 F.3d 654, 664-65 (Fed. Cir. 2000); *Yamanouchi Pharm. Co. v. Danbury Pharmacal, Inc.*, 231 F.3d 1339, 1343-45 (Fed. Cir. 2000); *Ecolochem, Inc. v. S. Cal. Edison Co.*, 227 F.3d 1361, 1371-81 (Fed. Cir. 2000); *In re Kotzab*, 217 F.3d 1365, 1369 (Fed. Cir. 2000); *Winner Int'l Royalty Corp. v. Wang*, 202 F.3d 1340, 1349 (Fed. Cir. 2000); *In re Dembiczak*, 175 F.3d 994, 998-1000 (Fed. Cir. 1999); *Monarch Knitting Mach. Corp. v. Sulzer Morat GmbH*, 139 F.3d 877, 881-83 (Fed. Cir. 1998); *Nyko Manufacturing Co. v. Nu-Star*, 950 F.2d 714, 717 (Fed. Cir. 1991).

### **Instruction 10.17.4 -- Level of Ordinary Skill**

Obviousness is determined from the perspective of a person of ordinary skill in the art. This person is presumed to know all of the prior art, not just what the inventor may have known. When faced with a problem, this ordinary skilled person is able to apply his or her experience and ability

to the problem and also to look to any available prior art to help in solving the problem.

Factors to consider in determining the level of ordinary skill in the art include the educational level and experience of people working in the field, the types of problems faced by workers in the art and the solutions found to those problems, and the sophistication of the technology in the field.

### **AUTHORITIES**

*Graham v. John Deere Co.*, 383 U.S. 1, 27-28 (1966); *Ruiz v. A.B. Chance Co.*, 234 F.3d 654, 666-67 (Fed. Cir. 2000); *Brown & Williamson Tobacco Corp. v. Philip Morris Inc.*, 229 F.3d 1120, 1125 (Fed. Cir. 2000); *SIBIA Neurosciences, Inc. v. Cadus Pharm. Corp.*, 225 F.3d 1349, 1356-57 (Fed. Cir. 2000); *In re Dembiczak*, 175 F.3d 994, 998-99 (Fed. Cir. 1999); *Al-Site Corp. v. VSI Int'l, Inc.*, 174 F.3d 1308, 1323-25 (Fed. Cir. 1999); *In re Dance*, 160 F.3d 1339, 1343 (Fed. Cir. 1998); *Ryko Mfg. Co. v. Nu-Star, Inc.*, 950 F.2d 714, 718-19 (Fed. Cir. 1991).

### **Instruction 10.17.5 -- Objective Indications Concerning Obviousness**

You also must consider what are referred to as objective indications of non-obviousness, which if Alcatel satisfies them, weigh in favor of finding that the invention was not obvious. Some of these indications are:

1. Commercial success of products covered by the patent claims or made by a process covered by the patent claims;
2. A long-felt need for the invention. If you find that the merits of the invention solved a long-felt need, this would tend to indicate that the invention was not obvious;



3. Failed attempts by others to make the invention;
4. Copying of the invention by others in the field;
6. Praise of the invention by the infringer or others in the field;
7. The taking of licenses under the patent by others;
8. Expressions of surprise by experts and those skilled in the art at the making of the invention; and
9. The patentee proceeded contrary to accepted wisdom of prior art.

These objective indications are only relevant to obviousness if there is a connection, or nexus, between them and the invention covered by the patent claims. For example, commercial success is relevant to obviousness only if the success of the product is related to a feature of the patent claims. If the commercial success is the result of something else, such as innovative marketing, and not to a patented feature, then you should not consider it to be an indication of non-obviousness.

If you find that Cisco has proved by clear and convincing evidence that the invention covered by claims 1 and 2 of the Simmering Patent would have been obvious to a person of ordinary skill in the art at the time the invention of the claims was made then you should find that the claims are invalid for obviousness.

## **AUTHORITIES**

*Graham v. John Deere Co.*, 383 U.S. 1, 27-28 (1966); *Ruiz v. A.B. Chance Co.*, 234 F.3d 654, 667-68 (Fed. Cir. 2000); *Brown & Williamson Tobacco Corp. v. Philip Morris Inc.*, 229 F.3d 1120, 1129-31 (Fed. Cir. 2000); *SIBIA Neurosciences, Inc. v. Cadus Pharm. Corp.*, 225 F.3d 1349, 1356-57 (Fed. Cir. 2000); *In re Dance*, 160 F.3d 1339, 1343 (Fed. Cir. 1998); *Ryko Mfg. Co. v. Nu-Star, Inc.*, 950 F.2d 714, 718-19 (Fed. Cir. 1991).

**Question 10.C**

Do you find that Cisco has shown by clear and convincing evidence that the Simmering Patent is invalid?

\_\_\_\_\_ **Yes**

\_\_\_\_\_ **No**

If you answered “Yes” to question 10.C answer the following question. If you answered “No” to question 10.C do not answer the following question: For which reasons do you find that the Simmering patent is invalid? Check all that apply.

Written Description \_\_\_\_\_

Enablement? \_\_\_\_\_

Best mode? \_\_\_\_\_

Definiteness? \_\_\_\_\_

Prior art on sale or offered for sale more than one year before the application that resulted in the Simmering patent was filed? \_\_\_\_\_

Anticipation? \_\_\_\_\_

Obviousness? \_\_\_\_\_

**Instruction 10.18 -- Willful Infringement**

Alcatel contends that Cisco has willfully infringed the Simmering Patent claims. If you find on the basis of the evidence and the law as I have explained it, that Cisco directly infringes at least one claim of the Simmering Patent, you must then decide whether or not Cisco's infringement was willful.

When a person becomes aware that a patent may have relevance to his or her activities, that person has a duty to exercise due care and investigate whether or not his or her activities or proposed activities infringe any valid, enforceable claim of the patent. If that person does not do so and infringes the patent claims, then the infringement is willful.

The issue of willful infringement is relevant, not to your decision of whether or not there is infringement, but rather to the amount of damages to which Alcatel is entitled. A finding of willful infringement may, in certain circumstances, entitle the patent owner to increased damages. If you decide that Cisco willfully infringed the Simmering Patent claims, then it is my job to decide whether or not to award increased damages to Alcatel.

Although, as I explained before, Alcatel must prove infringement by a preponderance of the

evidence, the burden of proving that the infringement was willful is the higher clear and convincing evidence burden.

To establish willful infringement, Alcatel must prove two things by clear and convincing evidence. First, Alcatel must prove that Cisco was aware of the Simmering Patent. Second, Alcatel must prove that Cisco proceeded with the activities that are accused of infringement without a good faith belief that the patent was either invalid, or not infringed, or both.

In determining whether or not, Cisco acted in good faith, you should consider all of the circumstances, including whether or not Cisco obtained and followed the advice of a competent lawyer. Although the absence of an opinion of counsel does not require you to find willfulness, the obtaining and following of counsel's advice is evidence that infringement was not willful.

In evaluating Cisco's reliance on the advice of counsel, you should consider when Cisco obtained the advice, the quality of the information Cisco provided to counsel, the competence of the opinion of counsel, and whether or not Cisco relied upon the advice. Advice is competent if it was based upon a reasonable examination of the facts and law relating to validity and/or infringement issues, consistent with the standards and practices generally followed by competent lawyers.

## **AUTHORITIES**

35 U.S.C. § 284; *WMS Gaming Inc. v. Int'l Game Tech.*, 184 F.3d 1339, 1354 (Fed. Cir. 1999); *Georgia-Pacific Corp. v. United States Gypsum Co.*, 195 F.3d 1322, 1334 (Fed. Cir. 1999); *John's Hopkins University v. Cellpro*, 152 F.3d 1342, 1363 (Fed. Cir. 1998); *Comark Comm., Inc. v. Harris Corp.*, 156 F.3d 1182, 1191 (Fed. Cir. 1998); *SRI Int'l, Inc. v. Advanced Tech. Labs.*, 127

F.3d 1462, 1465 (Fed. Cir. 1997); *Critikon, Inc. v. Becton Dickinson Vascular Access, Inc.*, 120 F.3d 1253, 1259-60 (Fed. Cir. 1997); *Nat'l Presto Indus. v. West Bend Co.*, 76 F.3d 1185, 1192-93 (Fed. Cir. 1996); *Stryker Corp. v. Intermedics Orthopedics Inc.*, 96 F.3d 1409, 1414 (Fed. Cir. 1996); *Amsted Indus. Inc. v. Buckeye Steel Castings Co.*, 24 F.3d 178, 180 (Fed. Cir. 1994); *Westvaco Corp. v. Int'l Paper Co.*, 991 F.2d 735, 745 (Fed. Cir. 1993); *Ortho Pharmaceutical Corp. v. Smith*, 959 F.2d 936, 944 (Fed. Cir. 1992); *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 826 (Fed. Cir. 1992); *Studiengesellschaft Kohle v. Dart Indus., Inc.*, 862 F.2d 1564, 1579 (Fed. Cir. 1988).

**Question 10.D**

If you answered “Yes” to questions 10.A or 10.B answer the following question: Do you find that Cisco willfully infringed the Simmering Patent?

\_\_\_\_\_ **Yes**

\_\_\_\_\_ **No**

**Instruction 10.19 -- Damages**

I have now instructed you as to the law governing Alcatel’s claims of patent infringement and Cisco’s claims of invalidity. If you find that Cisco has infringed a valid claim of the Simmering Patent, then you must determine what damages Cisco must pay to Alcatel for that infringement. If, on the other hand, you find that Cisco has not infringed a valid claim of the Simmering Patent, then Alcatel is not entitled to any damages and you should not make any findings about damages.

**Instruction 10.20 -- Compensatory Patent Damages in General**

If you find that any claim of the Simmering patent is both valid and infringed, then the patent owner is entitled to damages adequate to compensate for the infringement. These damages may not be less than what a reasonable royalty would be for the use made of the invention by the infringer. In determining damages, you must decide how much financial harm the patent owner has suffered by reason of the infringement. The question you must answer is: What would the patent owner have made had the infringer not infringed?

Damages are only to compensate Alcatel, to put Alcatel into the position it would have been in if Cisco had not infringed. You may not add anything to the amount of damages to punish Cisco, or to set an example.

#### **AUTHORITIES**

35 U.S.C. § 284 (2001); *Grain Processing Corp. v. American Maize-Prod. Co.*, 185 F.3d 1341, 1349 (Fed. Cir. 1999); *Maxwell v. J. Baker, Inc.*, 86 F.3d 1098, 1108-09 (Fed. Cir. 1996); *Rite-Hite Corp. v. Kelley Co.*, 56 F.3d 1538, 1545 (Fed. Cir. 1995) (*en banc*).

#### **Instruction 10.21 -- Reasonable Royalty**

Alcatel is asking for damages in the amount of a reasonable royalty. A reasonable royalty is the minimum amount of damages that a patent owner may recover.

#### **AUTHORITIES**

*Crystal Semiconductor Corp. v. Tritech Microelectronics Int'l, Inc.*, No. 99-1158, 2001 WL 220241 \*11 (Fed. Cir. 2001); *Mahurkar v. C.R. Bard, Inc.*, 79 F.3d 1572, 1579 (Fed. Cir. 1996);

*Minco, Inc. v. Combustion Eng'g, Inc.*, 95 F.3d 1109, 1119-20 (Fed. Cir. 1996); *Rite-Hite Corp. v. Kelley Co.*, 56 F.3d 1538, 1554 (Fed. Cir. 1995) (*en banc*).

**Instruction 10.22 -- What Is a Reasonable Royalty?**

A royalty is an amount of money that someone pays a patent owner to be able to use the patented invention. A reasonable royalty is the royalty that it would be reasonable for the infringer to pay and for the patent owner to accept for use of a patent that they both know is valid and that the infringer wants to use.

You are to decide what a reasonable royalty would be, based on circumstances as of the time just before Cisco began using the patented invention. You may assume that Cisco and Alcatel knew at that time such things as what level of sales and profits Cisco would make using the invention.

In deciding what is a reasonable royalty, you may consider the factors that Alcatel and Cisco would consider in setting the amount Cisco should pay.

I will list for you a number of factors you may consider. This is not every possible factor, but it will give you an idea of the kinds of things to consider in setting a reasonable royalty.

1. Whether the patent owner had established a royalty for the patented invention, for example by granting other licenses at that royalty. You should remember, however, that an established royalty may have been set before the patent was held valid and infringed in court and, therefore, may not be as much as it would be if both the patent owner and the party wanting to use the patent know it is valid.

2. Royalties paid for other patents comparable to Alcatel's patent.
3. Whether or not Alcatel had a policy of licensing or not licensing the patent.
4. Whether or not Alcatel and Cisco are competitors.
5. Whether being able to use the patented invention helps in making sales of other products or services.
6. The profitability of the product made using the patent, and whether or not it is commercially successful or popular.
7. The advantages and benefits of using the patented invention.
8. The extent of Cisco's use of the patented invention and the value of that use to Cisco.
9. Whether or not there is a portion of the profit or selling price that is a customary royalty in the telecommunications industry for use of patented inventions.
10. The portion of the profit that is due to the patented invention, as compared to the portion of the profit due to other factors, such as unpatented elements or unpatented manufacturing processes, or features or improvements developed by Cisco.
11. Expert opinions as to what would be a reasonable royalty.
12. Finally, consider a negotiation between someone who wanted to use the invention and a patent owner who was willing to license the invention. What royalty rate would these willing



participants to a negotiation agree to?

### **AUTHORITIES**

*Tec Air, Inc. v. Denso Mfg. Mich., Inc.*, 192 F.3d 1353, 1362 (Fed. Cir. 1999); *Fonar Corp. v. Gen. Elec. Co.*, 107 F.3d 1543, 1552-53 (Fed. Cir. 1997); *Mahurkar v. C.R. Bard, Inc.*, 79 F.3d 1572, 1579-81 (Fed. Cir. 1996); *Maxwell v. J. Baker, Inc.*, 86 F.3d 120 1098, 1108-10 (Fed. Cir. 1996); *Rite-Hite Corp. v. Kelley Co.*, 56 F.3d 1538, 1554 (Fed. Cir. 1995) (*en banc*); *Georgia-Pacific Corp. v. United States Plywood Corp.*, 318 F. Supp. 1116, 1120 (S.D.N.Y. 1970).

### **Instruction 10.23 -- Reasonable Royalty Damages Can Be Awarded As A Lump-Sum**

#### **Payment Based On Projected Sales**

In determining the amount of a reasonable royalty, that the parties would negotiate, you may conclude that the parties would have negotiated a lump-sum, up-front payment that is based on projected for the infringing product. You are not required to conclude that the parties would have negotiated a reasonable royalty to be applied to actual sales.

### **AUTHORITIES**

*Celeritas Techs. Ltd. v. Rockwell Int'l Corp.*, 150 F.3d 1354, 1359-60, *Snellman v. Ricoh Co.*, 862 F.2d 283 (Fed. Cir. 1989).

### **Instruction 10.24 -- Notice Requirement for Patents With Product Claims**

Alcatel can recover damages for infringement that occurred only after Alcatel gave notice

of its patent rights. It is Alcatel's burden to prove by a preponderance of the evidence that it gave notice.

Alcatel can give notice in two ways. The first way is to give notice to the public in general. Alcatel can do this by placing the word “patent” or the abbreviation “PAT” with the number of the Simmering Patent on substantially all the products it sold that included the patented invention. This type of notice is effective, from the date Alcatel began to mark substantially all of its products that use the patented invention with the patent number. If Alcatel did not mark substantially all of its products that use the patented invention with the patent number, then Alcatel did not provide notice in this way.

A second way Alcatel can provide notice of its patent is to tell Cisco that Cisco was infringing the Simmering patent and to identify Cisco's product that was infringing. This type of notice is effective from the time it is given.

As I said, Alcatel may recover damages only from the time it gave notice of its patent, either by the marking of products or by telling Cisco of its infringement. If you find that Alcatel had a duty to provide notice and did not do either of these before beginning this lawsuit, then Alcatel can only recover damages for infringement that occurred after it sued Cisco on June 22, 2000.

## **AUTHORITIES**

35 U.S.C. § 287 (2001); *Crystal Semiconductor Corp. v. Tritech Microelectronics Int'l, Inc.*, No. 99-1158, 2001 WL 220241 \*11 (Fed. Cir. 2001); *Nike Inc. v. Wal-Mart Stores*, 138 F.3d 1437, 1443-44 (Fed. Cir. 1998); *Maxwell v. Baker, Inc.*, 86 F.3d 1098, 1108-09 (Fed. Cir. 1996); *American*

*Med. Sys. v. Medical Eng'g Corp.*, 6 F.3d 1523, 1534 (Fed. Cir. 1993); *Devices for Med., Inc. v. Boehl*, 822 F.2d 1062, 1066 (Fed. Cir. 1987).

**Instruction 10.25 -- [Inequitable Conduct]**<sup>96</sup>

After a patent application is filed, it is assigned to an Examiner, who examines the application, and attempts to determine whether or not the application and the claims meet all of the requirements of the patent laws.

Applicants for patents have a duty of honesty and good faith in their dealings with the Patent and Trademark Office. Persons who have this duty include the inventor named on the patent application, persons who represent the inventor before the Patent and Trademark Office, and other persons substantively involved with the application. Only individuals, and not corporations, have this duty.

This duty of honesty and good faith exists from the time the application is filed and continues for the time that an application is pending before the Patent and Trademark Office. It requires that the applicant, the applicant's representatives and others substantively involved in the application fully disclose to the Patent and Trademark Office all information of which they are aware that is material to examination of the application, including all material prior art. I will explain to you in a moment how you may determine whether or not information is material.

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<sup>96</sup> Alcatel believes that Cisco's defense of inequitable conduct should be tried separately to the Court. But in the event that the Court decides to submit the issue of inequitable conduct to the jury, Alcatel has included this instruction here.

Intentional failure to fulfill this duty of honesty and good faith is called inequitable conduct. When inequitable conduct occurs during the course of obtaining a patent, the patent is unenforceable. This means that the patent owner may not prevent others from using the invention covered by the claims of the patent and may not collect damages for patent infringement.

Cisco has the burden of proving inequitable conduct by clear and convincing evidence. Cisco must prove that the inventor, the inventor's representative or someone substantively involved in the application withheld or misrepresented information that was material to the examination of the Simmering Patent application, and that this person or persons acted with an intent to deceive or mislead the Patent Examiner.

I will now explain to you the requirements of materiality and intent. I will then explain how you should balance any materiality and intent that you find in order for you to determine whether or not there was inequitable conduct. Cisco must first prove the materiality of a particular reference and a person's deceptive intent to a threshold level independently of each other. If Cisco proven both independently, you must then balance the particular levels of materiality and deceptive intent to determine whether, on balance, inequitable conduct has occurred

## **AUTHORITIES**

37 C.F.R. § 1.56; *Critikon, Inc. v. Becton Dickinson Vascular Access, Inc.*, 120 F.3d 1253, 1256-57 (Fed. Cir. 1997); *N. Telecom, Inc. v. Datapoint Corp.*, 908 F.2d 931, 938-39 (Fed. Cir. 1990); *Kingsdown Med. Consultants, Ltd. v. Hollister, Inc.*, 863 F.2d 867, 876 (Fed. Cir. 1988) (en banc); *KangaROOS U.S.A., Inc. v. Caldor, Inc.*, 778 F.2d 1571, 1576-77 (Fed. Cir. 1985).

### **Instruction 10.25.1 — Materiality**

In considering the issue of materiality, you must first determine whether or not information was withheld from or misrepresented to the Patent and Trademark Office. If you find that the inventor, the inventor's representative or others substantively involved with the application withheld or misrepresented information when applying for the Simmering Patent, you must then determine whether or not that information was material.

Information is material if it establishes, either alone or in combination with other information, that a claim of the patent application more likely than not does not meet one of the requirements for a patent, such as the requirements that a patented invention be new, useful and nonobvious. Information is also material if it refutes or is inconsistent with information provided or arguments made to persuade the Examiner that the invention is entitled to patent protection. Information that is cumulative of, that is, that adds little to, other information the Examiner already had, is not material.

You must next consider whether or not there was an intent to mislead or deceive the Patent and Trademark Office.

### **AUTHORITIES**

37 C.F.R. § 1.56 (2000); *Li Second Family Ltd. P'ship v. Toshiba Corp.*, 231 F.3d 1373, 1379-80 (Fed. Cir. 2000); *Pers. Biosys., Inc. v. Pharmacia Biotech, Inc.*, 225 F.3d 1315, 1321-22 (Fed. Cir. 2000); *Life Tech., Inc. v. Clontech Labs., Inc.*, 224 F.3d 1320, 1324-26 (Fed. Cir. 2000); *Union Oil Co. of Cal. v. Atlantic Richfield Co.*, 208 F.3d 989 (Fed. Cir. 2000); *Semiconductor*

*Energy Lab. Co. v. Samsung Elecs. Co.*, 204 F.3d 1368, 1374 (Fed. Cir. 2000); *Elk Corp. of Dallas v. GAF Bldg. Materials Corp.*, 168 F.3d 28, 31 (Fed. Cir. 1999); *Critikon, Inc. v. Becton Dickinson Vascular Access, Inc.*, 120 F.3d 1253, 1257-59 (Fed. Cir. 1997); *Litton Sys., Inc. v. Honeywell, Inc.*, 87 F.3d 1559, 1570-71 (Fed. Cir. 1996); *Molins PLC v. Textron, Inc.*, 48 F.3d 1172, 1178-79 (Fed. Cir. 1995).

### **Instruction 10.25.2 -- Intent**

Evidence relevant to the question of intent to deceive or mislead the Patent and Trademark Office includes any direct evidence of intent, as well as evidence from which intent may be inferred. The patent law recognizes that direct evidence of an actual intent to deceive or mislead is rarely available. You may, however, infer intent from conduct. That means you may conclude that a person intended the foreseeable results of his or her actions. You should decide whether or not to infer an intent to deceive or mislead based on the totality of the circumstances, including the nature of the conduct and evidence of the absence or presence of good faith. However, you may not infer a deceptive intent solely because a piece of prior art is highly relevant; instead there must be independent evidence of deceptive intent. Also, proof of mere negligence or even gross negligence does not establish deceptive intent; proof of deceptive intent requires more.

### **AUTHORITIES**

*Li Second Family Ltd. P'ship v. Toshiba Corp.*, 231 F.3d 1373, 1379-80 (Fed. Cir. 2000); *Pers Biosys., Inc. v. Pharmacia Biotech, Inc.*, 225 F.3d 1315, 1321-22 (Fed. Cir. 2000); *Semiconductor Energy Lab. Co. v. Samsung Elecs. Co.*, 204 F.3d 1368, 1374 (Fed. Cir. 2000);

*Critikon, Inc. v. Becton Dickinson Vascular Access, Inc.*, 120 F.3d 1253, 1257-59 (Fed. Cir. 1997); *Kingsdown Med. Consultants, Ltd. v. Hollister, Inc.*, 863 F.2d 867, 876 (Fed. Cir. 1988) (*en banc*).

**Instruction 10.25.2 -- Balancing of Materiality and Intent**

If you find that Cisco has proved independently by clear and convincing evidence that material information was withheld or misrepresented and that there was an intent to deceive or mislead the Patent Examiner, you must then balance the degree of materiality and the degree of intent to determine whether or not the evidence is sufficient to establish clearly and convincingly that there was inequitable conduct.

The higher the materiality of the withheld or misrepresented information is, the lower the intent needed to establish inequitable conduct.

**AUTHORITIES**

*Li Second Family Ltd. P'ship v. Toshiba Corp.*, 231 F.3d 1373, 1378 (Fed. Cir. 2000); *Baxter Int'l, Inc. v. McGraw, Inc.*, 149 F.3d 1321, 1327 (Fed. Cir. 1998); *Critikon, Inc. v. Becton Dickinson Vascular Access, Inc.*, 120 F.3d 1253, 1256 (Fed. Cir. 1997); *Molins PLC v. Textron, Inc.*, 48 F.3d 1172, 1178 (Fed. Cir. 1995); *FMC Corp. v. Manitowoc Co., Inc.*, 835 F.2d 1411, 1416 (Fed. Cir. 1987); *American Hoist & Derrick Co v. Sowa & Sons, Inc.*, 725 F.2d 1350, 1363-64 (Fed. Cir. 1984).]

**Question 10.E**

If you answered “Yes” to questions 10.A or 10.B answer the following question. If you have

awarded damages to Alcatel on any of the claims that you have already considered, I remind you that the damages, if any, that you award on this claim will not be added to the damages, if any, that you award on any other claim. Alcatel will recover only one compensatory damage award, if any, and it will be in an amount equal to the highest award that you give for any of Alcatel's claims:

What amount of money, if any, should be assessed against Cisco and awarded to Alcatel as a reasonable royalty for the infringement found in response to Questions 10.A or 10.B?

Answer in dollars and cents:

\$ \_\_\_\_\_

## **XI. CISCO'S AFFIRMATIVE DEFENSES**

### **Instruction 11.1 -- Affirmative Defenses Generally**

In my instructions to you on Alcatel's patent infringement claims and copyright infringement claims, I mentioned certain defenses that applied to those claims. If you should find that Alcatel has established any of its claims, there are two additional defenses that you should consider that apply to all of Alcatel's claims. These defenses are called unclean hands and estoppel.

These defenses are affirmative defenses. That means that Cisco has the burden of proof on these defenses and must establish the facts supporting these defenses by a preponderance of the evidence.

### **Instruction 11.2 — Unclean Hands**



The doctrine of unclean hands is an equitable defense which provides that a party must have acted fairly and justly in its dealings with another in order to assert a cause of action against that party. A party is said to possess “unclean hands” if it is guilty of conduct in regard to the rights that it seeks to enforce that involves fraud or bad faith, and if that conduct injures the other party to the lawsuit.

To establish the defense of “unclean hands,” Cisco must establish the following four elements by a preponderance of the evidence:

First, that Alcatel acted in a fraudulent, underhanded, unfair or unjust manner;

Second, that these bad acts are directly related to the transactions and occurrences at issue in this lawsuit and are directly related to the rights that Alcatel seeks to enforce in this lawsuit;

Third, that Cisco was injured by these bad acts; and

Fourth, that these bad acts are sufficiently serious that Alcatel should suffer the penalty of being forbidden from exercising its right to petition the courts for the redress it seeks in this lawsuit.<sup>97</sup>

I instruct you that because the defense of unclean hands must be based on bad acts that are directly related to the right that Alcatel seeks to enforce, whether you believe that Alcatel has

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<sup>97</sup> *Alcatel USA, Inc. v. DGI Techs., Inc.*, 166 F.3d 772, 796 (5th Cir. 1999); *Mitchell Bros. Film Group v. Cinema Adult Theater*, 604 F.2d 852, 863 (5th Cir. 1979), *cert. denied sub nom.*, *Bora v. Mitchell Bros. Film Group*, 445 U.S. 917 (1980); *see also Performance Unlimited v. Questor Publishers*, 52 F.3d 1373, 1383 (6th Cir. 1995); *Warner Bros., Inc. v. Gay Toys, Inc.*, 724 F.2d 327, 334 (2d Cir. 1983).

committed bad acts unrelated to those rights is irrelevant. Also, Alcatel's motives for bringing this lawsuit are irrelevant. A corporation has a right, like any other citizen, to petition the courts for redress of wrongs. The decision to file a lawsuit is not sufficiently related to the transactions or occurrences that underlie the lawsuit to establish the defense of unclean hands, even if you believe that Alcatel had motives for bringing this lawsuit of which you would not approve.<sup>98</sup>

**Question 11.A**

Do you find by a preponderance of the evidence that Alcatel has unclean hands such that Alcatel should not be permitted to recover against Cisco?

\_\_\_\_\_ Yes

\_\_\_\_\_ No

**Instruction 11.3 — Estoppel Defense**

The other defense that you should consider is the defense of "estoppel." I instructed you that the defense of unclean hands would apply to any of Alcatel's claims. Unlike the defense of unclean hands, the defense of estoppel does not apply to all of Alcatel's claims. The defense of estoppel does not apply to Alcatel's patent infringement or its copyright infringement claims. The estoppel defense, if it is established, would apply to Alcatel's other claims, however.

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<sup>98</sup> *Shondel v. McDermott*, 775 F.2d 859, 868 (7th Cir. 1985); *Libbey Glass, Inc. v. Oneida Ltd.*, 61 F. Supp. 2d 700, 719 (N.D. Ohio 1999); *National Football League Props., Inc v. Prostyle, Inc.*, 16 F. Supp. 2d 1012, 1021 (E.D. Wis. 1998); *Gen-Probe, Inc. v. Amoco Corp.*, 926 F. Supp. 948, 952 (S.D. Cal. 1996); *Pierce v. Apple Valley, Inc.*, 597 F. Supp. 1480, 1485 (S.D. Ohio 1984).

The doctrine of estoppel rests on the principle that when a person makes a statement that causes some other person to change its position, then the person who made the statement cannot later claim a right that is inconsistent with the earlier statement, if that would be unfair to the person that relied on the earlier statement.

In order to establish the defense of estoppel, Cisco must prove the following five elements by a preponderance of the evidence. When I refer to Cisco in these five elements, I mean Cisco without including Monterey:

First, that Alcatel misrepresented to Cisco or concealed from Cisco material facts;

Second, that Alcatel had actual or constructive knowledge of the true facts when it misrepresented the facts;

Third, that Alcatel made the statements intending that the misrepresentation be acted on by Cisco;

Fourth, that Cisco did not have knowledge, or the means of obtaining knowledge, of the true facts;

Fifth, that Cisco justifiably took some action in reliance on the misrepresentation.<sup>99</sup>

A few additional points should be kept in mind as you consider these factors. First, an

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<sup>99</sup> *Sequa Corp. v. Christopher (In re Christopher)*, 28 F.3d 512, 520 (5th Cir. 1994); *Stable Energy, P.C. v. Newberry*, 999 S.W.2d 538, 548 (Tex. App. -- Austin 1999); *Advent Trust Co. v. Hyder III*, 12 S.W.3d 534, 541 (Tex. App. -- San Antonio 1999).

estoppel requires a misrepresentation of existing fact. That requirement is not met if the statement in question is a statement of opinion. Nor is this requirement met if the statement is a statement as to future events.<sup>100</sup>

The next point you should consider is that Cisco claims that it relied on statements that were made by Alcatel to Monterey, and not directly to Cisco. A person indirectly makes a representation by making the representation to another with the intent that it be repeated to the intended party for the purpose of deceiving him.<sup>101</sup> In this case, Cisco must establish that Alcatel made the statements in question to Monterey intending that they be repeated to Cisco, for the purpose of causing Cisco to rely on the statements.

**Question 11.B**

Do you find by a preponderance of the evidence that Cisco justifiably relied on a false statement of fact made by Alcatel, that Alcatel had knowledge of the true facts and intended that the misrepresentation be acted on by Cisco, and that Cisco did not have knowledge of the true facts?

\_\_\_\_\_ **Yes**

\_\_\_\_\_ **No**

**XII. Deliberation**

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<sup>100</sup> *Wright v. Greenberg*, 2 S.W.3d 666, 675 (Tex. App.-- Houston 1999); *Dallas Cowboys Football Club, Inc. v. Harris*, 348 S.W.2d 37, 43 (Tex. Civ. App.--Dallas 1961).

<sup>101</sup> *Atlantic Richfield Co. v. Misty Prods., Inc.*, 820 S.W.2d 414, 418 (Tex. App. Houston 1991); *Neuhaus v. Kain*, 557 S.W.2d 125, 138 (Tex. App. Corpus Christi 1977).

I have now completed my instructions to you. When you retire to the jury room to deliberate, you may take with you this charge and the exhibits that the Court has admitted into evidence. Select your Foreperson and conduct your deliberations. If you recess during your deliberations, follow all of the instructions that I have given you concerning your conduct during the trial. After you have reached your unanimous verdict, your Foreperson must fill in your answers to the written questions and sign and date the verdict form. Return this charge together with your written answers to the questions. Unless I direct you otherwise, do not reveal your answers until such time as you are discharged. You must never disclose to anyone, not even to me, your numerical division on any question.

It is your sworn duty as jurors to discuss the case with one another in an effort to reach agreement if you can do so. Each of you must decide the case for yourself, but only after full consideration of the evidence with the other members of the jury. While you are discussing the case, do not hesitate to re-examine your own opinion and change your mind if you become convinced that you are wrong. However, do not give up your honest beliefs solely because the others think differently, or merely to finish the case.

If you want to communicate with me at any time, please give a written message to the bailiff, who will bring it to me. I will then respond as promptly as possible either in writing or by meeting with you in the courtroom. I will always first show the attorneys your question and my response before I answer your question.

After you have reached a verdict, you are not required to talk with anyone about the case unless I order you to do so.

**Instruction 12.1 — Use Of Notes Taken By Jurors**

Any notes that you have taken during this trial are only aids to your memory. If your memory differs from your notes, you should rely on your memory and not on the notes. The notes are not evidence. If you have not taken notes, you should rely on your independent recollection of the evidence and should not be unduly influenced by the notes of other jurors. Notes are not entitled to any greater weight than the recollection or impression of each juror about the testimony.

Dated: July 12, 2002

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Respectfully submitted,

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### **CERTIFICATE OF SERVICE**

The undersigned hereby certifies that a true and correct copy of the above and foregoing document has been served, upon all counsel of record, as identified below, on July 12, 2002:

#### **By Facsimile and FedEx**

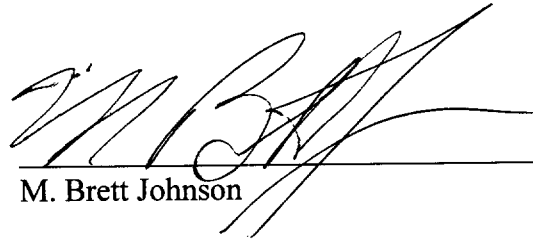
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